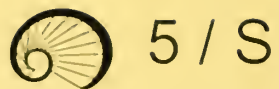


SAN FRANCISCO PUBLIC LIBRARY



3 1223 11168 0493



San Francisco Public Library

Government Information Center
San Francisco Public Library
100 Larkin Street 5th Floor
San Francisco, CA 94102

REFERENCE BOOK

Not to be taken from the Library

SAN FRANCISCO PORT COMMISSION

Doreen Woo Ho, President
Kimberly Brandon, Vice President
Willie Adams, Commissioner
Leslie Katz, Commissioner
Mel Murphy, Commissioner

Monique Moyer, Executive Director
Phone: 415-274-0400; Fax 415-274-0412

Amy Quesada, Commission Secretary
Phone: 415-274-0406; Fax 415-274-0412

AGENDA

TUESDAY, SEPTEMBER 10, 2013

2:00 CLOSED SESSION

3:15 P.M. OPEN SESSION

**PORT COMMISSION HEARING ROOM, SECOND FLOOR
FERRY BUILDING, SAN FRANCISCO CA 94111**

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Port Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk. If any materials related to an item on this agenda have been distributed to the Port Commission after distribution of the agenda packet, those materials are available for public inspection at the Port Commission Secretary's Office located at Pier 1 during normal office hours.

1. CALL TO ORDER / ROLL CALL
2. APPROVAL OF MINUTES – August 13, 2013
3. PUBLIC COMMENT ON EXECUTIVE SESSION
4. EXECUTIVE SESSION

A. Vote on whether to hold closed session.

- (1) CONFERENCE WITH LEGAL COUNSEL REGARDING ANTICIPATED AND EXISTING LITIGATION MATTERS:

- a. Discuss anticipated litigation matter pursuant to California Government Code Section 54956.9(d) and San Francisco Administrative Code Section 67.10(d): (Discussion Item)

Number of Potential Cases: 1 ☒ As Defendant

Facts and Circumstances: On or about February 2012, the Port received correspondence from Vortex Marine Construction, alleging deficiencies in the Port's design and construction documents for the Pier 43 Bay Trial Link Project, Port Contract No. 2727, concerning, among other things,

GOVERNMENT
DOCUMENTS DEPT

SEP - 6 2013

SAN FRANCISCO
PUBLIC LIBRARY



Digitized by the Internet Archive
in 2015

https://archive.org/details/agendasanfranci2013sanf_1

(a) alleged unidentified utilities; (b) constructability of the promenade deck; and (c) Contractor's office and field expenses, alleging an entitlement to substantial compensation, which the Port disputes. These circumstances present significant exposure of potential litigation.

- b. Discuss existing litigation matter pursuant to California Government Code Section 54956.9(d) and San Francisco Administrative Code Section 67.10(d): (Discussion Item)

- *Ferry Building Investors, LLC and Ferry Building Associates, LLC v. San Francisco Port Commission; Board of Supervisors of the City and County of San Francisco, et al.*; Superior Court of California, County of San Francisco (Case No. CPF 12-512355), filed July 20, 2012.

- (2) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. *This session is closed to any non-City/Port representative:

- a. Property: Pier 38, located at Delancey Street and The Embarcadero
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning and Development
*Negotiating Parties: San Francisco Waterfront Partners III, LLC: Simon W.R. Snellgrove
*Negotiating Parties: TMG Pier 38 Partners, LLC, a joint venture of TMG Partners and Premier Structures: Michael Covarrubias

Under Negotiations: ___ Price ___ Terms of Payment X Both
The Port recently received responses to a request for proposals for the lease and rehabilitation of the Pier 38 bulkhead building, located at Delancey Street and The Embarcadero. In this executive session, the Port intends to seek direction from the Port Commission on the appropriate price and terms of payment for this property. The Port intends to discuss factors affecting the price and terms of payment of the bulkhead building and the Port's goals and objectives under the Pier 38 Request for Proposals, but only with respect to the impact of those factors on price and terms of payment. The executive session discussions will enhance the capacity of the Port Commission during its public deliberations and actions to set the price and payment terms that are most likely to maximize the benefit of the Port, the City and the People of the State of California and to more effectively negotiate with the selected proposer on price and payment terms.

5. RECONVENE IN OPEN SESSION

- A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67-12.

- B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during Public Comment Period. A member of the public has up to three minutes to make pertinent public comments. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406. No Commission action can be taken on any matter raised during the public comment period for items not listed on the agenda other than to schedule the matter for a future agenda, refer the matter to staff for investigation or respond briefly to statements made or questions posed by members of the public. (Government Code Section 54954.2(a))

9. EXECUTIVE

- A. Executive Director's Report
 - Urban Air Market at Pier 70 – August 18, 2013
 - 34th America's Cup Bike Lane – September 8-15, 2013
 - Brannan Street Wharf Project – Selected to receive an award for 2013 Airports & Ports Project of the Year from the San Francisco American Society of Civil Engineers – September 19, 2013 at City Club of San Francisco
 - Coastal Cleanup Day – September 21, 2013 from 9 a.m. to 12 noon at Warm Water Cove, Heron's Head Park, Agua Vista Park and Mission Creek
 - Department of Public Works /San Francisco Giants Clean Sweep – September 28, 2013 from 9 a.m. to 12 noon at Islais Creek Park @ Third Street and Cargo Way

- B. Informational presentation by Water Emergency Transportation Authority (WETA): Overview of WETA's System and Plans for Expansion.

10. CONSENT

- A. Request authorization to execute a contract modification to Construction Contract No. 2727, Pier 43 Bay Trail Link Project, with Vortex Marine Construction, Inc., to increase the contract amount by \$204,726, and to retroactively approve an increase in the contract amount of \$20,353, for a total authorized contract amount of \$7,606,973. Resolution No. 13-32)

11. MARITIME

- A. Informational presentation by Bermello & Ajamil, the Port's Cruise Terminal consultant, describing management options for the James R. Herman Cruise Terminal located at Pier 27 on The Embarcadero at Lombard Street.
- B. Request approval of First Amendment to Landing Rights Agreement License No. L-15209 with Tideline Marine Group, Inc. extending term, expanding permitted uses, establishing a minimum landing fee, setting minimum performance standards and modifying the Port's revocability rights and terms for Licensee default. (Resolution No. 13-33)

12. FINANCE & ADMINISTRATION

- A. Informational presentation on the Port's Year-End Report on Contracting Activity for Fiscal Year 2012-13 (July 1, 2012 through June 30, 2013) and the City's Local Hire program.

13. PLANNING AND DEVELOPMENT

- A. Request (1) a rescission of Port Commission Resolution 12-90, (2) endorsement of the PG&E ZA-1 Embarcadero-Potrero 230kV Transmission Project Revised Term Sheet and (3) authorization to enter into a Negotiation Agreement with PG&E, all related to onshore and submerged Port land between Pier 28½ and the foot of 23rd Street and PG&E parcels Block 4110 (Lot 008A) and Block 4120 (Lot 002) located at 22nd and Illinois Streets. (Resolution No. 13-34)

14. NEW BUSINESS

15. ADJOURNMENT

**FORWARD CALENDAR
(TARGETED COMMISSION MEETING, SUBJECT TO CHANGE)**

SEPTEMBER 24, 2013

	FACILITY/POLICY	ITEM	TITLE
1	Pier 70	Informational	Presentation on Orton Development Inc.'s project at the 20 th Street Historic Buildings Project at Pier 70
2	Seawall	Informational	In celebration of the Port's 150 th Anniversary: Presentation on the Port of San Francisco's Historic Seawall, Where the City Meets the Bay
3	Portwide	Informational	Information Presentation on the status of the Port's Blue Greenway projects
4	Portwide	Action	Implementation of a 1.7% General Rate Increase for all items in the Port of San Francisco's Tariff Federal Maritime Commission 5, as approved by the California Association of Port Authorities (effective September 1, 2013)
5	Pier 38	Action	Authorization to enter into exclusive negotiations with the best qualified Pier 38 developer
6	Portwide	Action	Approval of: (1) issuance of Port of San Francisco Series 2013 Revenue Bonds to fund certain improvements on Port property in the aggregate principal amount not to exceed twenty six million dollars (\$26,000,000) with an interest rate not to exceed twelve percent per annum; (2) the forms of Indenture of Trust between the Port and a trustee; (3) the sale of the Bonds by negotiated sale pursuant to a purchase contract; (4) the form of a bond purchase contract; (5) the preliminary form of the Official Statement relating to the Bonds and the distribution of the statement; and (6) the form of the Continuing Disclosure Certificate of the Port and the execution of the certificate.
7	Heron's Head Park at Cargo and Jennings Street	Action	Authorization to Issue a Request for Proposals to Lease the "EcoCenter at Heron's Head Park" and surrounding 6,058 square feet of non-exclusive license area.
8	Pier 27	Action	Authorization to execute an amendment to the Construction Manager / General Contractor contract with Turner Construction Company to increase the contract amount to fund the Pier 27 Cruise Terminal Project construction.
9	Pier 43	Action	Authorization to execute a unilateral contract modification to Construction Contract No. 2727, Pier 43 Bay Trail Link Project, with Vortex Marine Construction, Inc., to increase the

			contract amount and extend the contract duration
--	--	--	--

OCTOBER 8, 2013

	FACILITY/POLICY	ITEM	TITLE
1	Third Street and Cargo Way Triangle and Cargo Way	Action	Authorization to accept and expend a grant in the amount of \$3,000,000 from the Federal Railroad Administration for improvements to the Quint Street Lead Improvement Project
2	Portwide	Action	Approval for a San Francisco Port Commissioner to travel with Port Staff to Osaka, Japan, for the 15 th Sister/Friendship Ports Conference
3	Foreign Trade Zone	Action	Approval of the Operations Agreement by and between the City and County of San Francisco by and through its San Francisco Port Commission and Expeditors International of Washington, Inc. granting Expeditors International authority to operate its site in Brisbane, California as a Foreign Trade Zone #3 Site for a term of 5 years, with a mutual option to extend for 5 years
4	Portwide	Action	Approval of the Executive Director's nomination of members to the Port Building Code Review Board
5	Portwide	Action	Authorization to award the contract for As-Needed Environmental and related Professional Services for three contracts at \$1 million each, totaling \$3 million

OCTOBER 22, 2013

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Informational	Presentation on the proposed adoption of the 2013 Port of San Francisco Building Code
2	Pier 70	Informational	Update on the mixed-use development project by Forest City Development for the Pier 70 Waterfront Site, bordered generally by 20th Street, Michigan Street, 22nd Street and the San Francisco Bay
3	Pier 70	Action	Approval of a lease and development agreement with Orton Development Inc. for the 20 th Street Historic Buildings at Pier 70
4	Portwide	Action	Approval to revise the existing Board Resolution of Intention to form the Port Infrastructure Financing District and Designation of Project

			Areas
5	Heron's Head Park at Cargo and Jennings Street	Action	Authorization to Negotiate and Execute a Mutual Termination Agreement with Literacy for Environmental Justice for Termination of Lease L-13816, which includes the "EcoCenter at Heron's Head Park" and surrounding 6,058 square feet of non-exclusive license area, subject to Board of Supervisors approval of the Mutual Termination Agreement.
6	Tulare Park @ Army, Islais Street & Pier 90	Action	Authorization to advertise for competitive bids for Construction Contract No. 2758, Bayview Gateway & Tulare Park Projects located at Army Street, Islais Street, and Pier 90

NOVEMBER 12, 2013

	FACILITY/POLICY	ITEM	TITLE
1	Seawall Lot 337	Informational	Update on the mixed-use development project for Seawall Lot 337 and Pier 48 bounded by China Basin Channel, Third Street, Mission Rock Street, and San Francisco Bay and adjacent to AT&T Park
2	Pier 9	Action	Request approval of Port of San Francisco Lease Number L-15721 with Autodesk, a Delaware Corporation for a term of eight (8) years for approximately 3,400 square feet of unimproved Pier 9 shed space

DECEMBER 10, 2013

	FACILITY/POLICY	ITEM	TITLE
1	Heron's Head Park at Cargo and Jennings Street	Action	Request authorization to execute a lease for the "Eco Center at Heron's Head Park" and surrounding 6,058 square feet of non-exclusive license area.

DATE TO BE DETERMINED

	FACILITY/POLICY	ITEM	TITLE
1	Pier 27	Informational	Presentation on the James R. Herman Cruise Terminal Management Agreement with Metro Cruise LLC
2	Pier 27	Action	Approval of the James R. Herman Cruise Terminal Management Agreement with Metro Cruise LLC

3	South Beach	Action	Port Commission's consideration of agreements between the Port Commission and the Successor Agency to mutually terminate 13 ground leases in the South Beach project area and set business terms for the transfer of the South Beach Harbor Program
4	Portwide	Action	Approval to award the Hazardous Waste contract
5	Pier 31	Action	Authorization to advertise for competitive bids for Construction, Pier 31 Building and Roof Repairs
6	Pier 94 and 96	Action	Authorization to advertise for competitive bids for Construction, Pier 94-96 Storm Drain and Outfall repairs
7	Pier 35	Action	Authorization to advertise for competitive bids for Construction, Pier 35 Building and Roof Repairs
8	Portwide	Action	Adoption of the 2013 Port of San Francisco Building Code
9	Army Street, Islais Street, and Pier 90	Action	Authorization to award Construction Contract No. 2758, Bayview Gateway & Tulare Park Projects
10	Pier 31	Action	Authorization to award Construction Contract No. XX, Pier 31 Building and Roof Repairs
11	Pier 94 and 96	Action	Authorization to award Construction Contract No. X, Pier 94-96 Storm Drain and Outfall Repairs
12	Pier 35	Action	Authorization to award Construction Contract No. XX, Pier 35 Building and Roof Repairs
13	3 rd Street & Cargo Way Triangle and Cargo Way	Action	Authorization to advertise for competitive bids for Construction, Quint Street Lead Improvement Project
14	Copra Loading Dock near Tulare Street	Action	Authorization to advertise for competitive bids for Construction, Copra Crane Refurbishment
15	Pier 70	Action	Authorization to advertise for competitive bids for Construction, Crane Cove Park Project Phase 1
16	Pier 35	Action	Request authorization to advertise for competitive bids for Construction, Pier 35 Substructure Repairs
17	3 rd Street & Cargo Way Triangle and Cargo Way	Action	Authorization to award Construction Contract No. 2764, Quint Street Lead Improvement Project
18	Copra Loading Dock near Tulare Street	Action	Authorization to award Construction No. XX, Copra Crane Refurbishment
19	Pier 70	Action	Authorization to award Construction Contract No. 2740, Crane Cove Park Project - Phase 1
20	Pier 35	Action	Authorization to award Construction Contract No. XX, Pier 35 Substructure Repairs
21	Pier 70	Action	Approval of Lease No. L-15690 and L-15691 with Affordable Self Storage, Inc., subject to Board of Supervisors' approval, for a container storage facility on paved vacant land within Pier 70 in the Southern Waterfront.

SEPTEMBER/OCTOBER 2013
CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC

DATE	TIME	GROUP	LOCATION
Sept. 24	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
Oct. 8	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
Oct. 22	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building

NOTES:

The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com. The Port Commission meetings can be viewed online at http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92. The Port Commission meetings are also broadcasted on the 2nd & 4th Thursday of the month at 9 p.m. on Comcast Cable Channel 26 or Astound Cable Channel 78 (formerly RCN Cable). Contact Amy Quesada at 274-0406 or amy.quesada@sfport.com

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Rip Malloy @ 274-0267 or rip.malloy@sfport.com

The Maritime Commerce Advisory Committee (MCAC) meets every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or jim.maloney@sfport.com

The Mission Bay Citizens Advisory Committee meets on the second Thursday of the month at 5:00 p.m. in the Creek Room at Mission Creek Senior Building located at 225 Berry Street in San Francisco (along the Promenade just beyond the library.) Contact Catherine Reilly at the former Redevelopment Agency @ 749-2516 or catherine.reilly@sfgov.org

The Northeast Waterfront Advisory Group (NEWAG) meets regularly on a bi-monthly basis on the first Wednesday of the month from 5:00 p.m. to 7:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jonathan Stern @ 274-0545 or jonathan.stern@sfport.com

The Central Waterfront Advisory Group (CWAG) meets monthly on an as-needed basis, generally on the third Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or mark.paez@sfport.com

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6.15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david.beaupre@sfport.com

The Waterfront Design Advisory Committee (WDAC) meets jointly with the Design Review Board of the Bay Conservation and Development Commission on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. The Committee meets as needed on the fourth Monday of the month at 6:30 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625 or dan.hodapp@sfport.com

ACCESSIBLE MEETING INFORMATION POLICY

FERRY BUILDING:

The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots: 3 spaces in the surface lot on the west side of the Embarcadero at Washington Street.

Hourly and valet parking is available in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa. Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Wendy Proctor, Port's ADA Coordinator, at 274-0592, the Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance:

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Sections 67.1 et seq. of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Chris Rustom by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at soft@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Rustom or by printing Sections 67.1 et seq. of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>.

NOTICES

Prohibition of Ringing of Sound Producing Devices:

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

Lobbyist Registration and Reporting Requirements:

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.



MEMORANDUM

September 5, 2013

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz
Hon. Mel Murphy

FROM: Monique Moyer *Monique Moyer*
Executive Director

SUBJECT: Informational Presentation by the Water Emergency Transportation Authority (WETA): Overview of WETA's System and Plans for Expansion

DIRECTOR'S RECOMMENDATION: Informational Item – No Action Required

SUMMARY

Staff from the Bay Area Water Emergency Transportation Authority (WETA) will present an overview of WETA's system and plans for expansion. WETA currently operates weekday commute service on four routes, serving terminals in Alameda, Alameda Harbor Bay, Oakland, Vallejo and South San Francisco. In San Francisco, WETA serves the Ferry Building, Pier 41 and AT&T Park. WETA's offices are located at Pier 9, which also serves as a maintenance facility and midday layover location for ferry vessels. WETA also operates weekend service to San Francisco from Vallejo and Oakland/Alameda, weekend and seasonal service to Angel Island and excursion service to Giants games at AT&T Park.

WETA is not only charged with developing and operating a regional passenger ferry system on San Francisco Bay, but also with providing emergency transportation in the event of a major disruption to regional mobility, such as may be the case in the event of a major earthquake or a situation like the recent Bay Bridge shutdown. Today's presentation by WETA staff provides an overview of WETA's current operations and planning. This includes ongoing efforts to expand the downtown San Francisco ferry terminal ("Downtown Ferry Terminal") in the Ferry Building Area, which continues to grow and evolve as a major Bay Area intermodal transportation hub.

AGENCY HISTORY & CURRENT OPERATIONS

The Water Transit Authority, a predecessor agency to WETA, was formed by the California State Legislature in 1999 with a mandate to create a long-term plan for new and expanded water-transit services on San Francisco Bay. The enabling legislation directed the Water Transit Authority to develop an Implementation and Operations Plan, which was approved in 2003. In 2008 a new state law, SB 976, dissolved the Water Transit Authority and replaced it with WETA. The 2008 legislation defined WETA's responsibilities as consolidating and operating existing ferry services, planning new routes and coordinating ferry transportation response to emergencies or disasters. City-operated services in Alameda and Vallejo were transferred to WETA control in 2011 and 2012, respectively. WETA also opened a new terminal in South San Francisco in 2013 and is leading planning studies at several other expansion candidate sites including Berkeley, Richmond, Treasure Island, Redwood City, and others. Finally, WETA participates in regional emergency preparedness planning and has enhanced service to respond to recent emergencies and man-made events such as Bay Bridge closures and disruptions in BART service.

WETA currently operates weekday commute service on four routes, serving terminals in Alameda, Alameda Harbor Bay, Oakland, Vallejo and South San Francisco. In San Francisco, WETA serves the Ferry Building, Pier 41 and AT&T Park. WETA's offices are located at Pier 9, which also serves as a maintenance facility and midday layover location for ferry vessels. WETA also operates weekend service to San Francisco from Vallejo and Oakland/Alameda, weekend and seasonal service to Angel Island and excursion service to Giants games at AT&T Park.

WETA owns 12 vessels which range in capacity from 149 to 395 passengers. Funding has been secured to replace two of these vessels with additional, higher capacity vessels to be added as expansion projects come on line. Ferry service is provided through a contract operator, Blue and Gold Fleet, which crews vessels and provides maintenance, dispatch and scheduling functions. Light maintenance and fueling currently occurs at Piers 9 and 41 in San Francisco and a facility on Mare Island in Vallejo. Final design and construction is about to commence on a \$25 million replacement maintenance facility on Mare Island. Initial design activities are beginning for a Central Bay Maintenance Facility located in Alameda, which will serve the central bay fleet and replace the Pier 41 and Pier 9 maintenance facilities.

Systemwide ridership for June 2013 – the last complete month of data without a BART Strike – averaged 5,499 for weekdays, an increase of almost 15 percent over June 2012. Individual lines all experienced strong ridership growth over the past year, led by Harbor Bay (15%), Oakland/Alameda (11%) and Vallejo (11%). Even South San Francisco, which struggled to attract riders in its first six months of service saw strong growth in 2013 and ended its first year up 58% over its opening month. While the challenge for South San Francisco is still to attract riders to the service, the other three terminals all are experiencing crowding and capacity issues requiring more frequent service and/or larger vessels to meet current and future demand.

EXPANSION PLANS

WETA's expansion program is guided by the 2003 *Implementation and Operations Plan*. That plan identified up to 16 ferry routes that could one day traverse San Francisco Bay. The 2012-2013 *WETA Short Range Transit Plan* provided an update to the expansion program identifying near term projects with identified capital funding sources and longer term projects with only a portion or no funding source identified to date. Near term projects include new terminals at Treasure Island, Berkeley, Richmond and the expansion of the Downtown Ferry Terminal. Longer-term projects include new terminals in Hercules, Martinez, Antioch and Redwood City. In addition to these projects, there is interest in and exploratory planning taking place for terminals at Seaplane Lagoon in Alameda and Piers 30/32 and 16th Street/Mission Bay in San Francisco.

Downtown San Francisco Ferry Terminal Expansion

In December 2008 WETA and the Port entered into a Memorandum of Understanding (MOU) to undertake a coordinated planning effort in accordance with the Port's objectives for stewardship of the San Francisco waterfront and WETA's mission to provide ferry service and emergency operations. Since then, WETA has been working closely with the Port of San Francisco as well as the Federal Transit Administration (FTA) on the expansion and improvement of WETA's facilities at the Downtown Ferry Terminal located in the Ferry Building area. Because most new routes converge in downtown San Francisco, this project is a centerpiece of WETA's overall expansion program. At full build out, there will be three additional gates constructed in the Ferry Building area as well as upland improvements to facilitate passenger circulation and queuing. These improvements will be needed to implement WETA's near term expansion projects as the existing two gates in operation (Gates B and E) are fully utilized. In addition, the improvements will facilitate expanded operations in the event of emergency service and provide needed flexibility to enable transfers and alternate San Francisco waterfront service plans.

WETA is presently undertaking environmental review of the project as required under the California Environmental Quality Act (CEQA) and the National Environmental Protection Act (NEPA). The project recently closed the public comment period on the Draft EIS/EIR and is expected to complete environmental review in spring of 2014. With this expected completion date, construction of the project is anticipated to commence by early 2015. Expansion can occur in phases and it has not been determined whether the North or South Basin improvements will be phased first. The overall project cost estimate is \$125 million.

The critical role of the Downtown Ferry Terminal was highlighted during the recent July BART strike. The week before the July 1, 2013 BART strike, WETA averaged 5,662 weekday passengers. However, during the strike WETA's services expanded to carry an average of 14,934 passengers – a threefold increase. That quick mobilization was made possible by the utilization of Blue and Gold staff and vessels normally in private operation. However, it highlighted constraints at terminals both in the east bay and San Francisco. In the east bay, morning waits of up to three hours and lines up to 1,000

people long occurred in Oakland because there is only one float available to serve ferry vessels. In San Francisco, because Gate E in the South Basin is the only gate equipped with Clipper fare card readers there was a significant imbalance of landings between Gates B and E. During the strike week, there were 62 landings at Gate E versus only 15 at Gate B. Passenger staging areas were concentrated in a limited area around Gate E, creating confusion and causing passenger queues to extend out to the Embarcadero or interfere with the operations of the Ferry Building.

There are both immediate and long term solutions to these operational capacity issues at the Downtown Ferry Terminal. WETA, Port of San Francisco and MTC staff are currently working to accelerate installation of Clipper equipment at Gate B in advance of a potential October 2013 BART strike. Adding two new gates in the South Basin and decking over the “lagoon” area between the Agricultural Building and the Ferry Building should also provide adequate space for future passenger queuing areas and staging zones for emergency operations.

CONCLUSION

The Port of San Francisco works closely with WETA staff and supports existing and expanded ferry service in planning, funding and construction activities. WETA's largest project, the expansion of berthing and landside facilities at the Downtown Ferry Terminal is closely coordinated with the overall Port planning for the Ferry Building area. Port staff has coordinated 'Proposition K' funding for the Downtown Ferry Terminal between the multiple agencies involved in Ferry and waterfront operations. Existing facilities at Pier 9, Pier 41 and AT&T Park are owned by the Port and operated and/or maintained by WETA or its contract operator. The Port and WETA will continue to work in close partnership to implement water transportation enhancements serving the San Francisco's waterfront.

Prepared by: James Hurley, Feasibility Analyst
Planning & Development

For: Byron Rhett, Deputy Director
Planning & Development

Exhibit A: WETA System Map



WATER EMERGENCY TRANSPORTATION AUTHORITY



MEMORANDUM

September 5, 2013

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz
Hon. Mel Murphy

FROM: Monique Moyer *Monique Moyer*
Executive Director

SUBJECT: Request authorization to execute a contract modification to Construction Contract No. 2727, Pier 43 Bay Trail Link Project, with Vortex Marine Construction, Inc., to increase the contract amount by \$204,726, and to retroactively approve an increase in the contract amount of \$20,353, for a total authorized contract amount of \$7,606,973.

DIRECTOR'S RECOMMENDATION: Adopt Attached Resolution

Executive Summary:

Port staff request that the Port Commission authorize a contract modification to Construction Contract No. 2727, Pier 43 Bay Trail Link Project, with Vortex Marine Construction, Inc., to increase the authorized contract amount by \$204,726, and to ratify prior staff executed change orders, the total of which exceeded the authorized contract amount by \$20,353. The total amount requested for this contract is now \$7,606,973 (inclusive of prior change orders). The additional money is necessary to account for modifications to Project scope, the costs of which were negotiated in good faith and are agreeable to both staff and the Contractor. Construction was completed in December 2012 but numerous contractual disputes remain. Staff continue to negotiate with the Contractor and anticipate returning to the Port Commission in the near future with a request to issue a final change order and close the contract.

Background:

The Pier 43 Bay Trail Link Project ("Project") was a Port sponsored project to create a new waterfront public open space in Fisherman's Wharf, along The Embarcadero between Powell and Taylor Streets. The Project included pier demolition, construction of a pile supported Promenade structure, seawall replacement, sidewalk and street improvements, lighting, and site furnishings. The 2008 Clean & Safe Neighborhood Parks General Obligation Bond provided the majority of Project funding. A Site Plan is included as Exhibit A.

The Port Commission, at its meeting on April 12, 2011, authorized award of the construction contract for the Project, Contract No. 2727, to Vortex Marine Construction, Inc. ("Vortex"), the lowest responsive and responsible bidder, for the amount of \$6,383,000 for the base bid and additive alternates "1" (Promenade Infill Section at Pier 43) and "2" (Promenade Section North of Franciscan); and further authorized a contract contingency, if needed, in the additional amount of \$638,300 (10% of \$6,383,000) for a total authorization of \$7,021,300. After the contract award, staff issued a Notice to Proceed ("NTP") to Vortex on June 3, 2011, with requirements to bring the work to Substantial Completion within the time limit of 425 days after NTP, and Final Completion no later than 60 days after Substantial Completion, a total contract duration of 485 days.

During construction, staff executed six Contract Change Orders, increasing the contract amount by \$658,653 and extending the duration by 13 days as a result of site conditions, minor design omissions, and changes to the scope. These Change Orders increased the contract amount to \$7,041,653, which exceeded the authorized contract amount (meaning, the contract award plus the 10% contingency) by \$20,353. Therefore, staff seeks retroactive approval by the Port Commission for these Change Orders to the extent they exceeded the authorized contract amount. See Attachment B, "Change Order Log", for a detailed breakdown of the Change Orders issued.

Construction was completed in December, 2012, with numerous unresolved disputes. Throughout construction, Port staff and San Francisco Department of Public Works ("DPW" through its Construction Management staff) worked in good faith with the Contractor to resolve these disputes. Staff participated in formal partnering with an experienced external facilitator; enlisted both the DPW City Engineer and a DPW Structural Engineer to participate; and participated in several facilitated dispute resolution sessions. Despite this effort, there remains considerable disagreement over many of the Contractor's proposed change orders for additional compensation.

The Port Commission, at its meeting on April 23, 2013, authorized Port staff to execute Change Order No. 7, to increase the contract by \$360,594 and grant a non-compensable increase in the contract duration of 44 days, as part of a settlement of Vortex's contract claim alleging differing site conditions for pile driving at Rows A-D.

Since that time, staff have continued to analyze the Contractor's change order requests with intent to resolve disputes and closeout the contract in a timely manner. Staff now request Port Commission authorization to execute a contract modification, in the form of Change Order No. 8, to increase the contract by \$204,726 for 11 items primarily related to minor scope modifications for electrical, architectural and structural items. This proposed change order will resolve all issues upon which staff and the Contractor mutually agree; however, numerous disputes remain regarding other items. Staff are in the process of completing a final analysis of all remaining disputed items and anticipate seeking Port Commission authorization in the near future for one final change order to address all outstanding items and close the contract.

Table: Contract Modifications

Date	Action	Modification Amount	Contract Amount	Added Duration	Total Duration
4/12/2011	Original Contract	n/a	\$ 6,383,000.00	n/a	485
Various	Change Orders 1-6	\$ 658,652.53	\$ 7,041,652.53	13	498
4/23/2013	Change Order 7	\$ 360,594.02	\$ 7,402,246.55	44	542
9/10/2013	Change Order 8 (Proposed)	\$ 204,726.04	\$ 7,606,972.59	0	542

Local Business Enterprise

The Human Rights Commission ("HRC") established a Local Business Enterprise ("LBE") subcontractor participation goal of 20% for the base bid items. Vortex's contract included 27% LBE subcontractor participation for the base bid items and the awarded additive alternates. After all proposed change orders, it is anticipated that LBE participation will remain above 25%.

San Francisco Local Hiring Policy for Construction

This construction contract predates the local hiring ordinance and local hiring is not applicable to this project.

Regulatory Permits

Work associated with the proposed contract modification does not impact permits.

Funding:

Funding allocated to the Project is sufficient to cover the proposed contract modification.

Schedule and Contract Duration:

The original Contract included a maximum of 425 calendar days to bring the work to substantial completion and 60 calendar days thereafter for final completion, for a total contract duration of no more than 485 calendar days. Prior change orders have extended the time for substantial completion by 57 days, extending the total contract duration to 542 days. The proposed modification does not change the contract duration.

Vortex achieved substantial completion of construction on November 21, 2012, 538 days after issuance of the NTP, and continued work on punchlist items through December 19, 2012, for a total duration of 566 days. Because staff continue to negotiate disputed items which may further extend the contract date, liquidated damages, currently valued at \$74,000, will not be assessed at this time. However, this does not constitute a waiver on the part of the Port to collect liquidated damages.

Summary:

Port staff recommend that the Port Commission authorize a contract modification to Construction Contract No. 2727, Pier 43 Bay Trail Link Project, with Vortex Marine Construction, Inc., to increase the authorized contract amount by \$204,726, to account for minor changes to the scope of work. Additionally, staff seek retroactive approval of prior executed change orders that exceeded the authorized contract amount by \$20,353. Although construction is complete, this proposed change order does not resolve all outstanding contract disputes. Staff continue to analyze the disputes, negotiate in good faith, and anticipate seeking Port Commission authorization for one final change order in the near future.

Prepared by: Steven Reel, Project Manager
Engineering

For: Uday Prasad, Interim Chief
Harbor Engineer
Engineering

Exhibits

- A: Site Plan
- B: Change Order Log
- C: Draft of Proposed Change Order 8

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 13-32

WHEREAS, on April 12, 2011, the Port Commission authorized award of the construction contract, Pier 43 Bay Trail Link Project, Contract No. 2727, to Vortex Marine Construction, Inc., the lowest responsive, responsible bidder, for the amount of \$6,383,000 for the base bid and additive alternates 1 & 2; and

WHEREAS, on the same date, the Port Commission authorized Port staff to increase the contract amount, if needed for unanticipated contingencies, through contract modification or change order by an additional \$638,300 (10% of \$6,383,000) for a total contract authorization not to exceed \$7,021,300; and

WHEREAS, Port staff issued Vortex Marine Construction, Inc. a Notice to Proceed with a start date of June 3, 2011, and a total contract duration of 485 days; and

WHEREAS, during construction, Port staff executed contract change orders increasing the contract amount by \$658,653, exceeding the existing contract authorization by \$20,353, and extending the contract duration by 13 calendar days; and

WHEREAS, the Port Commission, at its meeting on April 23, 2013, authorized staff to execute Contract Change Order No. 7 to increase the contract amount by \$360,594 and grant a non-compensable extension of 44 calendar days to the contract duration; and

WHEREAS, Vortex Marine Construction achieved substantial completion of construction on November 21, 2012, and, after Port staff removed certain minor items from the contract, Vortex subsequently completed all construction work, and;

WHEREAS, Port staff and the San Francisco Department of Public Works staff are evaluating Vortex's remaining proposed Change Order items and now recommend a contract modification, in the form of Change Order No. 8, to pay for work items which are mutually agreeable while continuing to evaluate the remaining disputed items; now, therefore be it

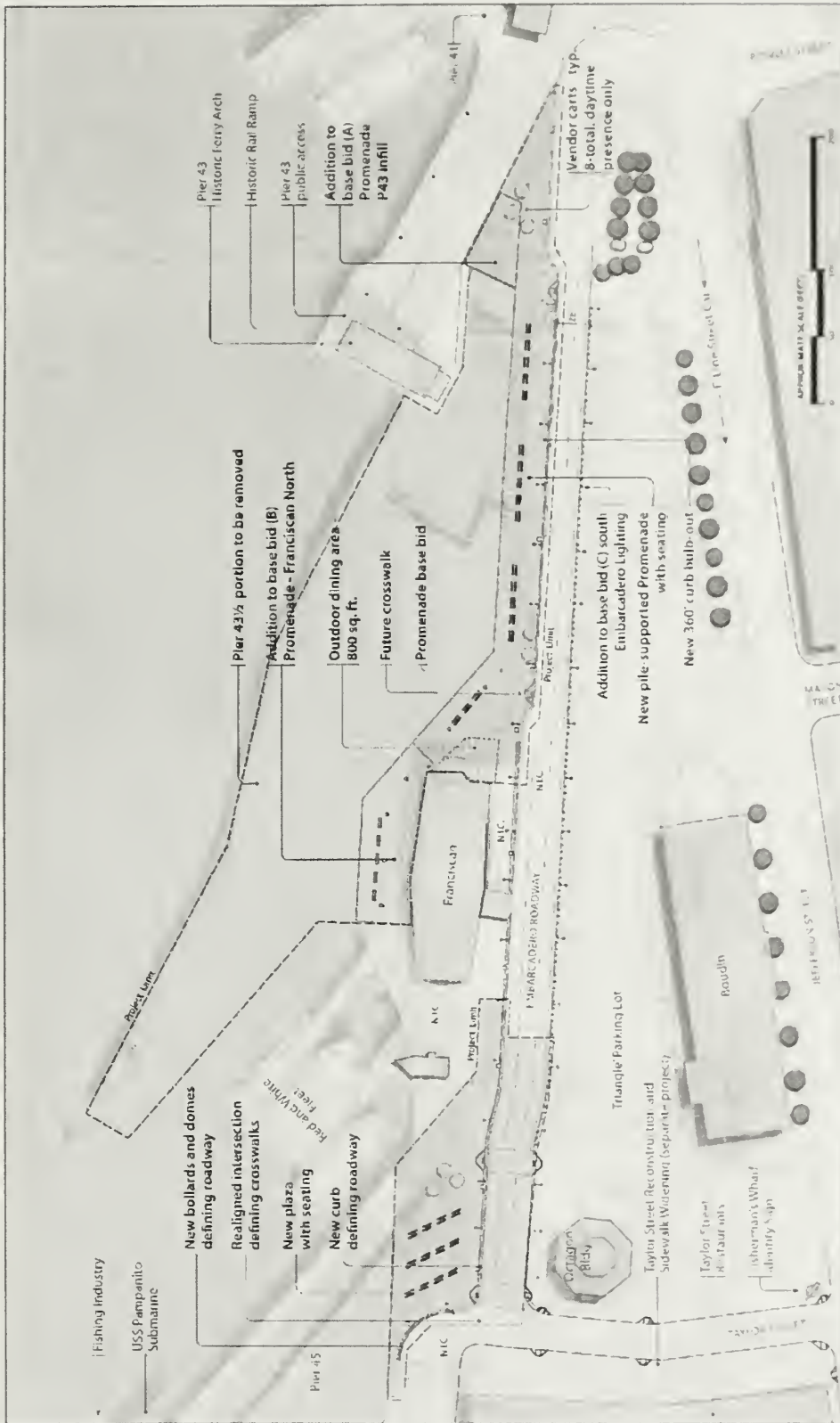
RESOLVED, that the Port Commission hereby approves and ratifies staff's prior execution of modifications and change orders to the construction contract, Pier 43 Bay Trail Link Project, Contract No. 2727, with Vortex Marine Construction, Inc., to increase the contract amount by the sum of \$20,353; and be it further

RESOLVED, that the Port Commission hereby authorizes Port staff to execute a modification, in the form of Change Order No. 8, to the construction contract, Pier 43 Bay Trail Link Project, Contract No. 2727, with Vortex Marine Construction, Inc., to increase the contract amount by the sum of \$204,726, for a total authorized contract amount of \$7,606,973.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of September 10, 2013.

Secretary

Exhibit A – Site Plan



Pier 43 Promenade

Site Plan Port of San Francisco

CHANGE ORDER LOG

CONTRACT NO. 17-143-001

CO #	PCO #	DESCRIPTION	DATE ISSUED	CO TYPE	DESIGN ERRORS & OMISSION (1)	SITE CONDITION (2)	CLIENT REQUEST (3)	CODE ISSUE (4)	QUANTITY ADJUSTMENT (5)	TOTAL (1-5)	TIME APPROVED	REMARKS
1	4	Removal of Overpoured Materials	5/9/2012	2		\$1,574.53				\$1,574.53	-	
	7	C-Row Obstructions / Probing		2		\$34,246.72				\$34,246.72	-	
2	12	West ADA Scope Changes	5/16/2012	3			\$134,402.10			\$134,402.10	-	
	11	Pier 43 Interface - Triangle Area / DEL ALT 1		3			(\$104,687.62)			(\$104,687.62)	4	
3	18	Reframing Deck at Pier 43 Interface	8/20/2012	2		\$8,679.46				\$8,679.46	-	
	20	Excavate/Dispose 1' Extra Seawall		2		\$23,714.54				\$23,714.54	5	
	21	Seawall Contaminated Materials		2		\$65,467.95				\$65,467.95	-	
	22	Additional Seawall Section Removal		2		\$45,352.84				\$45,352.84	3	
	23	Fire Hydrant and Thrust Block Removal		1	\$3,386.30					\$3,386.30	1	
	6	Extra Timber Pile Removal		2	\$98,000.00					\$98,000.00	-	
	24	Obstruction at Pile Locations		2		\$15,127.83				\$15,127.83	-	
	25	MH PCO 5 Transition at West ADA		2		\$12,495.00				\$12,495.00	-	
	26	MH PCO 6 C&G Alignment		1	\$3,675.00					\$3,675.00	-	
4	27	MH PCO 8 West ADA Extra Fill	10/10/2012	2		\$2,377.00				\$2,377.00	-	
	28	MH PCO 10 Replace Catch Basin		2		\$420.00				\$420.00	-	
	29	MH PCO 11 Caulking		1	\$420.00					\$420.00	-	
	30	MH PCO 15 Additional Lean Concrete		2		\$30,100.35				\$30,100.35	-	
	33	Install Copper Pipe for Fire Sprinkler		3		\$4,200.00				\$4,200.00	-	
5	35	Additional Picnic Tables	10/24/2012	3		\$12,700.73				\$12,700.73	-	
	36	Kiecon Casting Bed Acceleration		3		\$17,000.00				\$17,000.00	-	
6	38	Little Embarcadero Road Replacement	11/15/2012	3		\$250,000.00				\$250,000.00	-	
7	3	Coring	5/8/2013			\$360,594.02				\$360,594.02	44	
	37	Kiecon Expedite Rebar and Casting Bed Sales Tax		3		\$3,690.95				\$3,690.95	-	
	42	Two Additional Event Power (MH PCO 24)		3		\$13,991.80				\$13,991.80	-	
	43	3" PVC Conduit to PG&E Manhole		3		\$17,961.30				\$17,961.30	-	
	44	Street Light Connection		3		\$7,070.70				\$7,070.70	-	
	45	Wood Deck Stub Out		3		\$3,426.15				\$3,426.15	-	
8	46	Third Event Power		3		\$8,491.33				\$8,491.33	-	
	48	Non-Shrink Admixture for Topping Slab		3		\$32,025.33				\$32,025.33	-	
	50	Little Embarcadero Road Replacement (Franciscan)		3		\$46,841.34				\$46,841.34	-	
	51	Night Pour for Structural Deck		3		\$10,637.55				\$10,637.55	-	
	52	Epoxy Rebar in Precast Panels		3		\$57,500.00				\$57,500.00	-	
	57	Restocking Fee for Lumber		3		\$3,089.59				\$3,089.59	-	
		TOTAL			\$105,481.30	\$600,150.24	\$518,341.05	\$0.00	\$0.00	\$1,223,972.59	57	

Cost Summary	
Original Contract	\$6,383,000.00
10 Contingency	\$638,300.00
Approved Change Order (CO)	\$1,223,972.59
Revised Contract Amount	\$7,606,972.59
Est. Remaining Contingency	\$1,223,972.59

Time Summary	
NTP Date	6/3/2011
Original Contract Duration	425 Calendar Days
Original Substantial Completion	7/31/2012
Original Final Completion Date	9/29/2012
Time Extension Granted	57 Calendar Days
Revised Substantial Completion	9/26/2012
Revised Final Completion Date	11/2/2012

CO 1 \$170,223.35
CO 2 \$104,651.82
CO 3 \$146,601.09
CO 4 \$166,815.18
CO 5 \$39,700.73
CO 6 \$250,000.00
CO 7 \$360,594.02
CO 8 \$234,726.04

PORT OF SAN FRANCISCO
ENGINEERING DEPARTMENT
CONSTRUCTION MANAGEMENT DIVISION

ATTACHMENT

CHANGE ORDER 8 (UNDISPUTED COSTS)

DRAFT

Project Pier 43 Bay Trail Link
Date August 21, 2013
To Vortex Marine Construction, Inc.
Livingston Street Pier
Oakland, California, 94606-5215

Controller # EMPO11000010
Contract # 2727

IT IS HEREBY MUTUALLY AGREED by the parties hereto that the referenced contract and related plans and specifications are modified to effect the changes described below for the prices and amounts stated, which shall be considered as full compensation for the changes and work hereby authorized and that all work except as modified, shall remain in full force and effect.

<u>Item</u>	<u>Description</u>	<u>Cost</u>
PCO 37	Kiecon Expedite Rebar and Casting Bed Sales Tax Expedite precast panel rebar and sales tax on additional precast panel casting bed	\$3,690.95
PCO 42	Two Additional Event Power Furnish and install 2-1" PVC conduit runs from the 1st and 2nd event power cabinets to the new 200A ESP per POSF Letter No. 49. Rejected costs include excessive manhours, and contract work submitted as additional cost.	\$13,991.80
PCO 43	3" PVC Conduit to PG&E Manhole Furnish and install 1-3" PVC conduit run from the new 200A ESP to the existing PG&E manhole per POSF Letter No. 49. Rejected costs include excessive manhours, and contract work submitted as additional cost.	\$17,961.30
PCO 44	Street Light Connection Vortex's additional compensation request to "provide power connection for new street lights from existing street light pull box."	\$7,070.70
PCO 45	Wood Deck Stub Out Furnish and install 40' 1-1" PVC conduit from east lighting pull box to stub out at Pier 41 Arch deck per POSF Letter No. 49. Rejected costs include excessive manhours, and contract work submitted as additional cost.	\$3,426.15
PCO 46	Third Event Power Furnish and install 2-1" PVC conduit runs from the new 200A ESP to the 3rd event power cabinet per POSF Letter No. 49. Rejected costs include excessive manhours, and contract work submitted as additional cost.	\$8,491.33
PCO 48	Non-Shrink Admixture for Topping Slab Add 211 gallons of Eclipse Floor 200 non-shrink admixture to the promenade deck topping slab.	\$32,025.33
PCO 50	Little Embarcadero Road Replacement (Franciscan) Sawcut, demo, grade, and place 8" concrete base 7000 s.f. including trucking, fill, and a credit for 1000 s.f. of base work. Rejected costs due to Vortex's clerical error	\$46,841.34
PCO 51	Night Pour for Structural Deck Perform 376 cubic yard concrete pour at the structural deck around the Franciscan on the night of 10/18/12	\$10,637.55
PCO 52	Epoxy Rebar in Precast Panels Furnish and apply epoxy coating for precast panel rebar per Vortex Letter No. 98	\$57,500.00

PCO 57 , Restocking Fee for Lumber

\$3,089.59

Net cost for items including (i) credit for downgrading handrail caps from IPE to Cedar (ii) handling, (iii) transportation of material.

Total Cost of CO. \$204,726.04

0

Original Contract Amount \$6,383,000.00
 Total prior Change Orders \$1,019,246.55
 This Change Order: \$204,726.04
 Total Contract Amount to Date: \$7,606,972.59

AMOUNT	ACCOUNT NUMBER	ORACLE WO
\$		

TIME EXTENSION ALLOWED FOR THIS CHANGE ORDER

0

Calendar Days

PLANS ATTACHED

NO

TOTAL TIME EXTENSION ALLOWED FOR THIS CONTRACT:

57

Calendar Days

COST

\$204,726.04

ADJUSTED SUBSTANTIAL COMPLETION DATE:

09/26/12

Distribution:

Contractor X
 Senior Engr
 Controller
 Constr Mgmt X
 Contract File X

 Project Engr X
 Project Mgr
 Agency ()
 Accounting X

Recommended By:

Resident Engineer

Date

Reviewed By:

Construction Manager / Project Manager

Date

Accepted By:

Contractor - Vortex

Date

Approved:

Chief Harbor Engineer

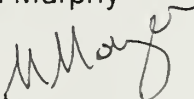
Date



MEMORANDUM

September 5, 2013

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz
Hon. Mel Murphy

FROM: Monique Moyer 
Executive Director

SUBJECT: Informational presentation by Bermello & Ajamil, the Port's Cruise Terminal Consultant, describing management options for the James R. Herman Cruise Terminal at Pier 27

DIRECTOR'S RECOMMENDATION: Informational Item – No Action Required

The Port completed the first phase of the Pier 27 construction project and on March 1, 2013, the site was transferred to the America's Cup Event Authority for use in connection with the 34th America's Cup sailing events. After the America's Cup events are finished and no later than November 2013, Pier 27 will be returned to the Port and the Port will commence completion of the second phase of construction. It is anticipated that Pier 27 will be operational as a cruise terminal and available for special events by fall of 2014.

On June 11, 2013, the Port Commission authorized staff to commence negotiations with Metro Cruise Services, LLC (Metro) to operate the Pier 27 facility when Pier 27 becomes operational again. Because Pier 27 will be a new facility, this allows the Port to re-evaluate how the cruise terminal should be operated in conjunction with a new use, special events, when available. As shown in Attachment A, Metro proposed a business plan for Pier 27. The Port has begun to develop business terms with Metro with the goal of documenting a new management agreement to operate Pier 27 for Port Commission input and consideration. Staff hopes to bring a new management agreement to the Port Commission by the end of this year.

In framing this new management agreement, Port staff has engaged Bermello & Ajamil (B&A), who have served as the Port's experts in cruise terminal development, to present their findings for two specific aspects of cruise terminal operations at the Port Commission's September 10, 2013 hearing.

The first aspect is an inventory of different business models of other North American ports as it relates to cruise terminal operations. Specifically, B&A will examine how different ports are managed using operational models ranging from completely outsourcing of all the functions to performing all functions in-house or a combination thereof. B&A will assess the strengths and weaknesses of each model and develop a recommendation for the Port's operation of Pier 27.

The second aspect is a comparative analysis of user charges imposed by ports. In order to provide this comparison, B&A will develop the total cost, per passenger, of a cruise ship call to San Francisco and compare that to other port competitors, provide specific breakdown by cost category (including labor, tariffs and other charges) and provide an analysis to the price sensitivity of costs to cruise lines. From this, B&A will determine San Francisco's competitiveness along the West Coast and recommend how the Port might develop a user charge that will be designed to help repay the Port's investment at Pier 27 that is within a reasonable range of competitiveness.

This presentation will provide useful information to the Port in its negotiations with Metro. As different elements (that will also include special events and parking) of the management agreement are formulated, Port staff will present them to the Port Commission for review, comment and direction.

Since the Port has made a major investment in a new cruise terminal at Pier 27, it is critical that the Port fulfill its mission to maximize the volume of cruise calls, operate the facility in a cost-effective manner, and provide the best financial return to the Port.

Prepared by: John Doll
Development Project Manager
Planning & Development

For: Byron Rhett, Deputy Director
Planning & Development

Peter Dailey, Deputy Director
Maritime

Elaine Forbes, Deputy Director
Finance & Administration

ATTACHMENT A: METRO'S BUSINESS PLAN

1) Broaden and Diversify Market

Cruise Operations:

- Expand cruise calls by 5% annually
- Retain Princess Cruise Lines year-round business
- Pursue additional commitments from Celebrity, NCL, Crystal, P&O and Cunard
- Consider parking opportunities for cruise customers, including valet parking service
- Increase customer loyalty by conducting customer satisfaction survey process for all customers
- Execute long-term agreements with cruise customers

Special Events:

- Initiate opening events to showcase facility
- Utilize Hartmann Studios to attract customers
- Partner with SF Travel and destination management companies to book events
- Engage in a broad marketing campaign

Parking:

- Maximize parking opportunities at Pier 27 and, if permitted, at Pier 35

2) Create Reliability and Cost Efficiencies

- Identify and execute Key Performance Indicators (KPIs) to further business development. KPIs include: targeted financial goals, cruise and special event client volume goals, workforce satisfaction and safety goals, and environmental goals
- Introduce annual review to indicate performance compared to KPIs and annual business alignment process to verify cruise, special event and parking operations are effectively aligned to take maximal advantage of Pier 27 and to ensure seamless transitions between cruise operations and special events
- Implement automated invoicing and incident review process improvements

3) Maintain High-Performance Workforce

- Increase workforce engagement and satisfaction by a) implementing professional development programs, b) implement employee satisfaction surveys, and c) implement specific training for personnel

Cruise Operations

Metro has proposed that customer service is the key factor that works in tandem with maintaining operation efficiencies and generating new cruise and special event markets.

Customer service can be maximized by: 1) directing engagement with each client and establishing customer service targets that meet their specific goals; 2) investing in personnel training and career development, internal incentive programs and continuous staff improvement; 3) developing value propositions based on KPIs and monitor their implementation and effectiveness; 4) engaging in regular verification of customer service with each client to ensure service is on target; and 5) ensuring all areas of service related to each cruise call are aligned and performing as required.

The marketing of the cruise operations has been primarily the responsibility of the Port's Maritime Division working in concert with Metro. As noted above, Metro proposes to partner with the Port to aggressively market Pier 27 and pursue business development opportunities with cruise lines. Metro will remain a member of the Cruise Line International Association (CLIA) and continue to participate in cruise industry forums and events, such as the Cruise Shipping Seatrade events and the CLIA Forum to promote San Francisco as a cruise port. Metro enhances the Port's marketing efforts by offering operational and commercial solutions tailored to meet specific needs of each cruise line. Metro's goal is to retain the Port's anchor tenant, Princess Cruise Lines, and to expand calls from other cruise lines.

Port staff thinks that the 5% annual growth in cruise calls is realistic in the short-term. In the past decade, the number of cruise calls has averaged 62 calls a year with an average of approximately 150,000 passengers. This year the number of calls will be 66 calls with approximately 200,000 passengers. Next year, there will be 75 calls with approximately 250,000 passengers. While short-term expectations of Metro are realistic, it is speculative whether a 5% annual increase in the long-term.

Metro is committed to help market to additional cruise lines and to work with SF Travel to include pre- and post-cruise programs to lengthen a tourist's stay in San Francisco.

Metro proposes that the labor force for cruise operations will remain unionized in accordance with ILWU jurisdiction. The amount of labor and the number of man-hours will be comparable to current levels on cruise days. However, the characteristics of the new Pier 27 facility with its public access requirements will require additional security and maintenance workers, as negotiated in the management agreement. Metro has proposed adding these positions: 1) three new full-time (24/7) ILWU Local 75 security guards for the entire Pier 27 site, including the Northeast Wharf Plaza and the public access areas; 2) one full-time ILWU Local 34 maintenance mechanic; and one full-time ILWU Local 94 foreman.

The goal of the Pier 27 design was to make the cruise terminal operationally more efficient than Pier 35. In many ways, Port staff believes this has been accomplished since there will be efficiencies in getting passengers, luggage and provisions through the terminal and off and on cruise ships. But, because of the public access requirements requiring around the clock security, this will significantly increase the security costs to operate Pier 27. While the design of the facility should increase operational efficiency, the security—and maintenance--costs will cause Pier 27 to be a more expensive operation than Pier 35.

Special Events

Metro proposes to hire a special event manager who will be responsible to market and manage Pier 27 as an event space when it is not being used as a cruise terminal. Metro has partnered with Hartmann Studios, a local event design and production company, and together they will market and manage special events in coordination with the region's destination management companies, SF Travel Association, and the Moscone Center. Hartmann will deploy its capabilities to manage special events, from room and space design to lighting, decorating and sound and video equipment, catering, and areas of check-in, hospitality and transportation. Hartmann will be supported by Metro's capability to manage guest flow and logistics (especially to ensure a seamless transition from cruise events to special events).

The AECOM report of June 2010 described a number of special events that might use the Pier 27 cruise terminal facility. The likely, but by no means certain, uses would be:

- Convention groups may require off-site event spaces to hold receptions and special functions for subgroups of the main convention;
- Bay Area corporations to do product announcements, off-site meetings, incentive events and corporate parties;
- Bay Area universities and non-profits for fundraising events, awards, banquets, etc.;
- Private parties holding weddings, anniversaries, family reunions, etc.;
- Privately promoted consumer shows;
- Privately promoted entertainment events.

Hartmann believes that the anticipated make-up of events would roughly be: 50% corporate/tradeshows, 30% social/fundraisers, and 20% smaller public or private events. Metro's proposal included a detailed marketing plan and they anticipate that Pier 27 could be rented approximately \$30,000 for the day of the event with lower rates on set-up and tear down days.

Port staff believes that the Metro assessment of the number, type and pricing of special events to be realistic.

Special event workforce may be dependent of the type of event. A corporate or convention event may require specific labor requirements (e.g., food and beverage employees, ushers, ticket takers, traffic controllers, event attendants, stagehands, etc.) and these would likely be represented by various San Francisco unions. Metro identifies the following unions' involvement: IATSE Local 16 for special events and there may be a combination of IATSE Local 510 and the Teamsters for corporate/tradeshows.

Parking

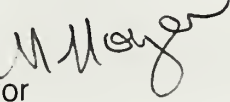
Metro has partnered with IMPARK to operate the ground transportation area with the goal to maximize revenue during non-cruise days. Impark has proposed to outfit the ground transportation area with automated pay stations which meet the requirements of the City's Article 22 revenue control equipment ordinance. Patrons will generally park and lock their vehicles and pay the appropriate fee to the meter. For special events, Impark will provide parking personnel depending on the time/day of the event, needs of the facility, and request of the special event organizer. Short-term parking is proposed for non-cruise, non-special event days. Impark has proposed that the parking workforce will be Teamster Local 665 union members.



MEMORANDUM

September 6, 2013

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz
Hon. Mel Murphy

FROM: Monique Moyer 
Executive Director

SUBJECT: Request approval of First Amendment to Landing Rights Agreement License No. L-15209 with Tideline Marine Group, Inc. extending term, expanding permitted uses, establishing a minimum landing fee, setting minimum performance standards, and modifying the Port's revocability rights and terms for Licensee default

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

In July of 2012, Port staff issued a public Request for Qualifications looking for parties to operate a Water Taxi Service out of three locations at the Port of San Francisco.

The Port Commission at its meeting on September 11, 2012 approved selection of two operators: San Francisco Water Taxi Company (to establish a Hop-on/Hop-off water taxi route), and Tideline Marine Group, Inc. (Tideline) for operating an On-call/On-demand taxi service between the Port of San Francisco and the greater Bay Area. The Port Commission also granted the Port's Executive Director the authority to negotiate and enter into five year landing rights agreements with each candidate. The landing rights agreement with Tideline was signed into effect on October 7, 2012.

Since October, Tideline has made significant progress in establishing a viable water taxi service for San Francisco. As a new venture in an unproven market, it has provided a unique maritime service taking more than 3,000 passengers in and out of San Francisco and providing service 24 hours a day, 7 days a week. It has established itself as a safe, convenient, and fun alternative to the congested roads in and around San Francisco. Using the three San Francisco Landing sites, Tideline has negotiated additional landing rights to points of call throughout the central and east bay that have positioned this company for substantial growth. This growth will allow Tideline's service to meet or exceed the expectations of the Port and the demand of the local community.

THIS PRINT COVERS CALENDAR ITEM NO. 11B

Tideline was designed to be both a successful business and a positive force for the community. To date, its commitment to the community can be found in their established relationships and mutual endeavors with organizations such as the Marine Mammal Center, Sierra Club, the GGNRA/National Park Service, and local high schools.

As demand for their service has increased and opportunities for collaboration with other entities continue to emerge, Tideline is looking to expand this new market and has requested an amendment to their Landing Rights Agreement, License No. L-15209.

This proposed amendment will enhance Tideline's ability to attract investors and grow both their fleet and business. The Tideline management team has done extensive market research and outreach for investors and believes that these changes will allow them to at least double their revenues in the near term and increase their capacity to provide service to the Port.

The proposed amendment makes the following changes to the original License:

- (i) It extends the initial term to ten (10) years from five years with one additional five (5) year option at the Port's discretion;
- (ii) It creates minimum performance standards as described below, which, if not met, will either constitute an event of default in the case of (A), or void this amendment in the case of (B) or (C);
- (iii) It expands the permitted activities by allowing Licensee to sell branded merchandise, food, and beverages, including alcoholic beverages, to passengers;
- (iv) It adds prohibitions against providing dining, entertainment, or special events or selling alcoholic beverages or performing maintenance or fueling while at any Port Landing Site, and washing its vessels in a way that would produce any discharge into the Bay;
- (v) It establishes a license fee of the greater of (a) a minimum fee per Landing of \$15, or (b) seven percent of Tideline's gross revenues per landing, whichever is greater. Currently there is no minimum landing fee, only a strict percentage rent of 7%;
- (vi) It eliminates the Port's ability to revoke the License unless Licensee is in default. Examples of default include failure to use the Landing Site solely for the Permitted Activity or use of the Landing Site for a Prohibited Use when such failure continues for a period of twenty-four (24) hours following written notice from Port. Such failures shall, at Port's reasonable discretion, allow the Port to immediately terminate this License without notice or demand to Licensee; and
- (vii) Revises certain provisions of the License and adds new standard provisions to update it and bring the agreement into compliance with current City requirements.

Added Performance Standards

In consideration for the above changes, the Port has added new performance standards requiring Tideline to:

- (A) Provide at a minimum, an average of five paid passenger landings per week to the combination of any of the three Port landing sites described in the attachments to this staff report as documented by Tideline's required monthly percentage rent statement filing;
- (B) Add to their fleet of water taxis servicing the Port of San Francisco at least one additional vessel in service or under contract to build within twelve months after the effective date of this Amendment;
- (C) Acquire and maintain a Certificate of Inspection from the United States Coast Guard that will allow the transport of more than six passengers for hire on at least one of Tideline's fleet of water taxis within twelve months after the effective date of this Amendment.

Upon Port's written determination, in its sole discretion, that Licensee has failed to meet standard (A), the Licensee will be in default of the agreement. In the case of failure to meet either standard (B) or (C), this amendment shall become null and void and the terms of the original Landings Rights Agreement License No. L-15209 shall prevail.

Recommendation:

Port staff recommends that the Port Commission grant the Port Executive Director, or her designee, the right to amend the current Landing Rights Agreement License No. L-15209 and enter into a new operating relationship with Tideline Marine Group, Inc. based on the terms and conditions described in this Staff Report.

Prepared by: G. L. Roybal, Maritime Marketing Manager

For: Peter Dailey, Deputy Director, Maritime

Attachments:

- 1. San Francisco Water Taxi Landing Site — Hyde Street Harbor
- 2. San Francisco Water Taxi Landing Site — Pier 1½
- 3. San Francisco Water Taxi Landing Site — South Beach Harbor
- 4. Tideline Marine's Current Operation

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 13-33

- WHEREAS, Charter Section B.3581 empowers the Port Commission with the authority and duty to use, conduct, maintain, manage, regulate and control the lands within the Port jurisdiction; and
- WHEREAS, Water taxis are a popular form of transportation at many of the world's major cities; and
- WHEREAS, The Port Commission authorized the Port Executive Director to negotiate and enter into a five year landing rights agreement, License L-15209 (License) with Tideline Marine Group, Inc. (Tideline) for water taxi services at three Port landings by Resolution No. 12-68, which became effective on October 7, 2012; and
- WHEREAS, Tideline has been operating a water taxi service that has safely taken more than 3,000 passengers in and out of San Francisco in the past ten months and is in good standing under its License; and
- WHEREAS, As set forth in the staff report accompanying this resolution, the Tideline management team has done extensive market research and outreach for investors and believes that certain changes to the License will allow it to attract investors and capital needed to expand its fleet and business; and
- WHEREAS, Port staff recommends that the Port Commission accommodate Tideline's request by certain changes to the License as described in the staff report accompanying this resolution by a First Amendment to License L-15209 (Amendment), which would extend the initial term to ten years from five years with one additional five year option at the Port's sole discretion; expand the permitted and prohibited activities under the License while the vessels are at any Port landing; set minimum performance standards; establish a minimum fee; expressly state the Port's right to revoke the License if Tideline is in default; and add other provisions to update the License and bring it into compliance with current City requirements; now therefore, be it
- RESOLVED, That the Port Commission hereby approves the terms described in the accompanying staff report and authorizes the Executive Director or her designee to finalize the negotiations and execute the First Amendment to Landing Rights Agreement License L-15209 with Tideline Marine Group, Inc. on terms consistent with the staff report (including any additions or modifications to the Amendment that the Executive Director, in consultation with the City Attorney, determines are in the best interests of the Port and are necessary or advisable to implement the License, as amended, and do not materially increase the obligations or liabilities of the

Port, will not have any material adverse fiscal impact on the Port or materially diminish the rights of or benefits to the Port and are necessary, such determination to be conclusively evidenced by the Executive Director's execution and delivery of the Amendment.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of September 10, 2013.

Secretary

EXHIBIT A – Hyde Street Harbor

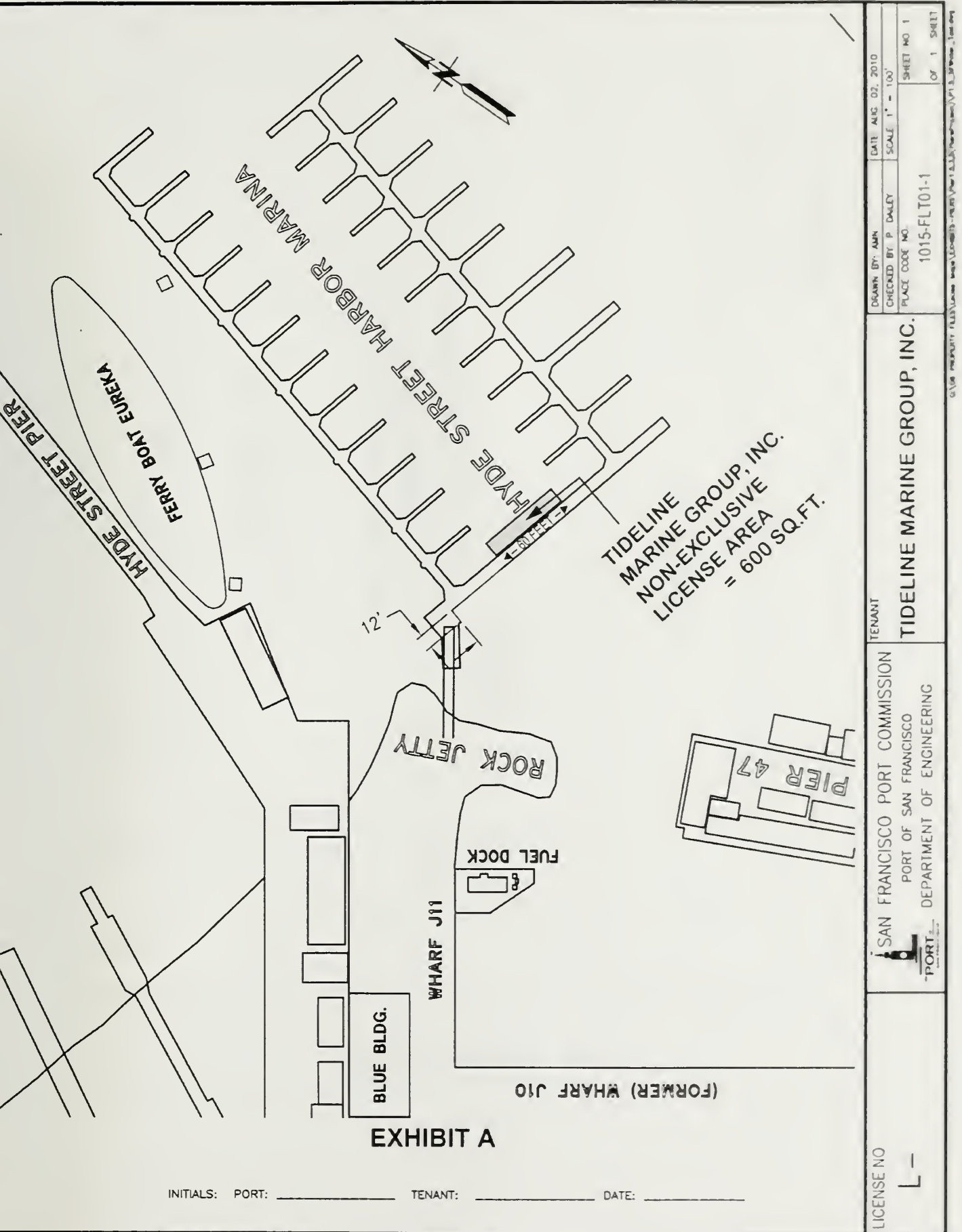
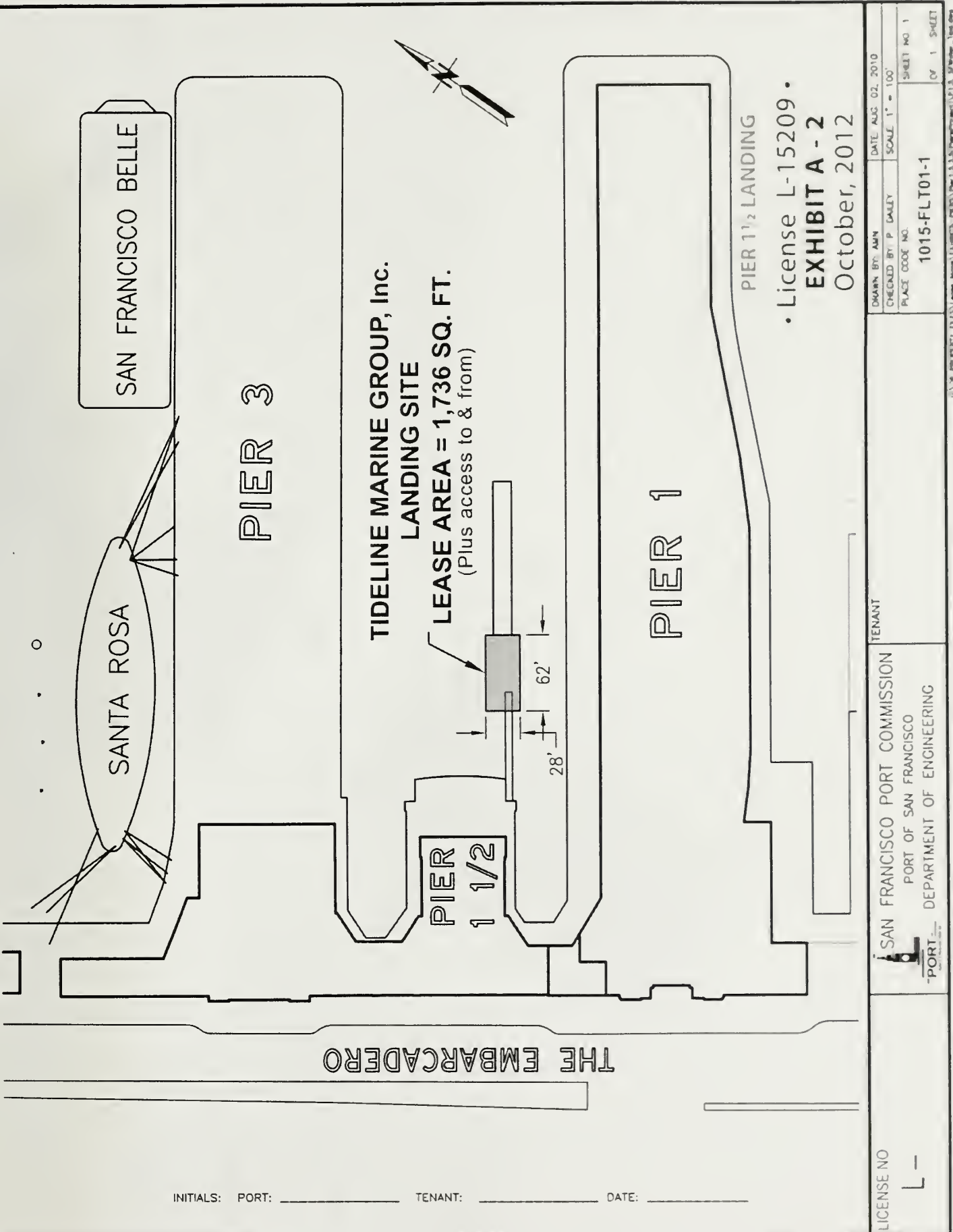


EXHIBIT B – Pier 1½



LICENSE NO L -	SAN FRANCISCO PORT COMMISSION PORT OF SAN FRANCISCO DEPARTMENT OF ENGINEERING	TENANT	DRAWN BY: AMN CHECKED BY: P. DALEY PLACE CODE NO.	DATE: AUG 02, 2010 SCALE: 1" = 100' SHEET NO. 1
			1015-FLT01-1	OF 1 SHEET

EXHIBIT C — South Beach Harbor

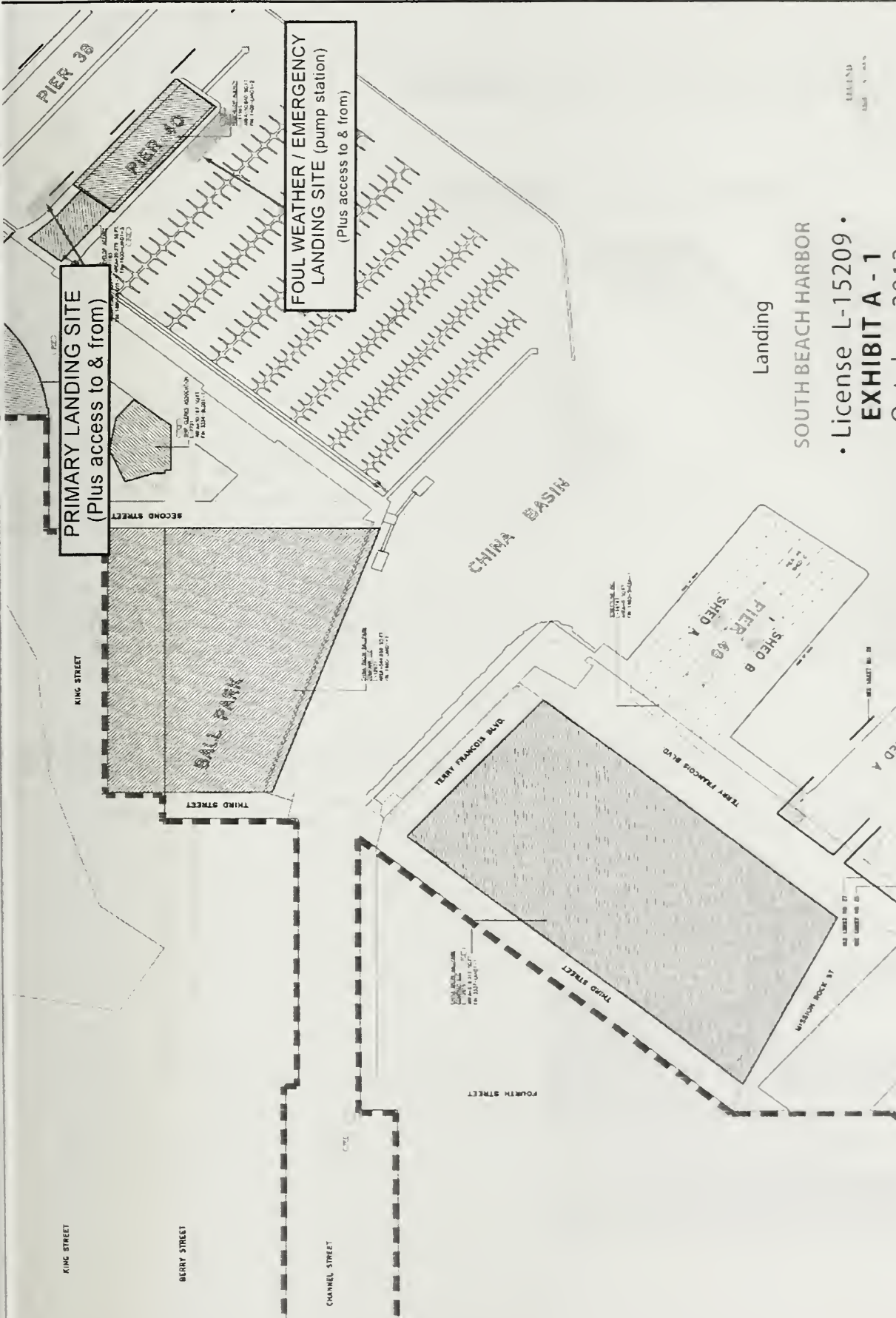


EXHIBIT D

Tideline Marine's Current Operations



TIDELINE
MARINE GROUP

ABOUT

SERVICES

FARES

FAQ

LIVE MAP

CLUBS

MAKE A RESERVATION
by calling us at 415 389 9196

OVERVIEW

NEWS

CAPTAIN TAYLOR LEWIS

OUR BOATS

CAREERS

AFFILIATES

Our Boats

Our first water taxi is a PROTECTOR boat manufactured in Auckland, New Zealand by Rayglass Boats.

Rayglass has long been recognized as a premier boat manufacturer and respected globally for its marine engineering. Built to carry as many as 12 passengers our PROTECTOR provides an ideal combination of comfort, safety, and efficiency for sustainable access and transportation around San Francisco and into Marin County.

Coming soon to our fleet are WESMAC Custom Boats from Surry, Maine.

These vessels incorporate innovative, light-weight, high-tech hull designs that deliver superior performance for up to 25 passengers. The custom hulls provide a very comfortable and safe ride while delivering excellent fuel efficiency that underscores our commitment to a sustainable model for San Francisco Bay.



WATER TAXI SERVICE

PRIVATE VESSEL SERVICE

ENVIRONMENTAL

EVENT SUPPORT

Water Taxi Service

Tideline Water Taxi is San Francisco's first on-demand, small passenger, all-weather, taxi service. We can carry up to 6 passengers at a time and currently operate along the San Francisco waterfront, lower Marin County and two new locations in the East Bay.

Our vessels are built in the US and custom designed to safely navigate the unique environment of the San Francisco Bay.

We feature:

- Frequent stops at popular destinations
- A superior level of personal service
- A highly experienced crew, committed to safety and service
- Low per passenger emissions

Check out our [Fares](#) section for a list of our drop-off/pick-up destinations






MEMORANDUM

September 5, 2013

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz
Hon. Mel Murphy

FROM: Monique Moyer 
Executive Director

SUBJECT: Informational Item - The Port's Yearend Report on Contracting Activity for FY 2012-13 (July 1, 2012 through June 30, 2013)

I. SUMMARY

This report provides the Port Commission with information on contracting activity for the Fiscal Year 2012-13 (July 1, 2012 through June 30, 2013). It focuses on contracting for both professional services and construction activities.

A. Total Value of New Contracts for FY 2012-13: \$17.4 million (10 contracts). During FY 2012-13, the Port issued eight new professional services contracts and two new construction contracts for a cumulative value of \$17.4 million. Of these ten contracts, six (with a total value of \$3.6 million) include City-certified local business enterprise (LBE) subcontracting goals cumulatively of 24%, or \$0.86 million. Four of these contracts were not required to include LBE subcontractors. Two qualified for waivers under Administrative Code Section 14B due to their small contract size and two were exempted from LBE goals due to the City's declaration of the emergency related to the Pier 29 fire. However, one of these exempt contracts was issued to a micro LBE.

B. Total Professional Services and Construction Contract Payments to City-Certified Local Business Enterprises (LBEs) subcontractors in FY 2012-13: \$12.9 million. During FY 2012-13, total Port contract payments for contracts that included LBE subcontracting goals totaled \$73.4 million, of which \$12.9 million was paid to LBE subcontractors. This amount equates to 18% of total contract payments and is \$1 million greater than the required LBE contract goals set by the City's General Services Agency Contract Monitoring Division (CMD) for these agreements based on its analysis

and review of LBE opportunities.¹ The Port Commission has set an annual overall goal to provide 20% of its department-contracted dollars to subcontractors that are City-certified LBEs. The Port's contract payments fall short of its self-imposed 20% goal during FY 2012-13 by 2% or \$1.8 million.

II. BACKGROUND

The Port engages in a variety of contractual transactions that include: leases, developer agreements, construction contracts, general services contracts, and professional services contracts. This report specifically addresses the Port's use of professional services contracts and construction contracts.

A. Compliance with Nondiscrimination Laws, Rules and Regulations: The Port must comply with federal, state, and local laws concerning nondiscrimination in contracting. Construction contracts, general services contracts, and professional services contracts are subject to the San Francisco Administrative Code Chapter 14B LBE subcontracting participation requirements. The LBE program was established to expand City contracting opportunities for small San Francisco based companies – as are defined based on gross receipts. Local firms apply to and are certified by the City's General Services Agency Contract Monitoring Division (CMD). When participating as a prime contractor or as part of a Joint Venture, Certified LBEs receive bid discounts. For contract agreements that fall within San Francisco Administrative Code Chapter 14B, the CMD also sets LBE subcontracting goals through a process in which CMD staff reviews the scope of the project, the nature of the work compared to available Certified LBEs, and sets a required LBE subcontracting goal as a way to provide work to Certified LBEs. CMD determines compliance with subcontracting goals at the time the contract is closed-out.² The LBE program applies only to City contracts. City contracts are exempt from the LBE program if 1) the contract value is less than \$50,000, 2) Federal law, as in the case of grant funds, prohibits the use of local preference, or 3) the Board of Supervisors or the San Francisco General Services Agency Contract Monitoring Division waives LBE subcontracting goals, as in the case of an emergency contract.

B. Use of Professional Services Contracts: Professional Services are those services which require the exercise of discretion and independent judgment in their performance, and/or the application of an advanced, specialized type of knowledge, expertise, or training. Examples of professional service providers include architects, engineers, software developers, and consultants. The City's Civil Service Commission must approve all Professional Services contracts. The Civil Service Commission determines whether the requested services can be performed by City employees or whether the

¹ Notably, CMD determines compliance with LBE subcontracting goals at contract close-out. Prime contractors are not required to meet LBE goals with each payment or annually, but instead are required to meet LBE goals at contract close-out.

² LBE subcontracting goals are calculated on the base contract amount. Following CMD policy, contract allowances, alternates or contingencies are not factored into calculating final LBE participation rates. CMD reviews on a case-by-case basis, contract amendments that result in a cumulative increase in the total contract amount of 20 percent or more. CMD may apply LBE subcontracting goals to these contract amendments based on a review of the additional work.

Department can justifiably contract out the services. The Port contracts for professional services only when work cannot be performed by the Port or other City employees because of the limited nature of the work, peak workload obligations, lack of specific expertise, or as otherwise required based upon financial risk, funding or other legal requirements.

C. As-Needed Contracts: As-Needed contracts are Professional Services contracts used by the Port for as-needed services. The Port has thirteen (13) current As-Needed contracts through Master Agreements with a total contractual value of not to exceed \$14 million. Master Agreements are negotiated upon Contractor pre-qualification through formal, competitive Request for Qualifications (RFQ) processes. These agreements usually have a three-year term. Master Agreements require the issuance of Contract Service Orders (CSO) for specific scopes of work for as-needed services. LBE subcontracting goals apply overall to each Master Agreement and for each CSO.

D. Report Organization: This report is organized into three key sections.

1. Use of Delegated Authority by the Executive Director
2. Local Business Enterprise (LBE) Contract Participation
3. Compliance with Local Hire Requirements

Exhibit 1: As-Needed Contract Service Order (CSO) Payments

Exhibit 2: Construction Contract Payments

Exhibit 3: Professional Services Contract Payments

Exhibit 4: Total As-Needed CSO Expenditures to date

Exhibit 5: Total Construction Contract Expenditures to date

Exhibit 6: Total Professional Services Contract Expenditures to date

Exhibit 7: Contracts Awarded in FY 2012-13

1. FY 2012-13 Use of Delegated Authority by the Executive Director: \$208,950 (4 contracts)

To streamline the Port's contract approval process and to be consistent with the San Francisco Administrative Code and the practice of other City departments, the Port Commission has delegated the following authority to the Executive Director (Resolution No. 10-60):

- | | |
|--|-----------|
| • Public works and improvement contracts | \$400,000 |
| • Professional services contracts | \$100,000 |

Delegated authority allows the Port's Executive Director to execute and award public works and improvement and professional services contracts at or under the above listed threshold limits without Port Commission review and approval.

During the reporting period, the Executive Director authorized the approval of four (4) professional services contracts, one with Mariposa Leadership Inc. for management coaching services for \$10,000. The other three were for public affairs consulting in support of the Port's 150th anniversary: 1) Media Consulting International for \$38,950; 2) Molly Duggan Associates for \$110,000; and 3) Davis & Associates for \$50,000.

Port staff executed the Molly Duggan Associates contract under delegated authority as a result of an administrative oversight. The contract amount of \$110,000 requires Port Commission approval; however, staff neglected to seek such approval. The work is now complete and the actual contract spending did not exceed \$25,000, well under the Executive Director's delegated authority. Nevertheless, Port staff will institute improved internal procedures so that this type of mistake does not occur again.

2. FY 2012-13 Use of As-Needed Contracts: \$1,794,286 (13 contracts)

Contract Service Orders Issued. The Port presently has thirteen as-needed contracts in place. Each of the contracts was let through a full competitive solicitation process. Once the contract is in place the Port tasks the contractor through the issuance of Contract Service Orders following the requirements of Administrative Code Chapter 6.64 requirements. These requirements limit Contract Service Orders to a maximum of \$200,000 per public works project. Contract Service Orders exceeding \$200,000 require written justification by the department head establishing the urgency to perform the work under as-needed contracts rather than through a new formal competitive procurement³. For FY 2012-13, no Contract Service Orders exceeded \$200,000 for any single project.

The Port issued 24 Contract Service Orders in FY 2012-13 as follows:

Firm	Project	Amount
Bay Area Economics	Pier 38 Reuse Analysis	\$105,286
Bay Area Economics	Industrial Tenants Benefits Study	37,625
Economic Planning Systems	Pier 70 Disposition Support	50,000
Economic Planning Systems	Pier 30-32 Arena	120,000
Economic Planning Systems	Pier 70 Negotiation Support	111,365
Economic Planning Systems	Heron's Head Park	22,500
Keyser Marston Assoc.	Update to Pier 70 Development Parcel Analysis	104,106
Keyser Marston Assoc.	Annual Review of Parameter Rent Schedule FY 2013-14	2,500
Keyser Marston Assoc.	20th St Historic Building Analysis	89,500
Gerwick/SDE JV	On Call Project Scoping	75,000
Creegan + D'Angelo/ AGS JV	On Call Project Scoping	75,000
Creegan + D'Angelo/ AGS JV	Engineering studies related to the Copra Crane restoration	50,654
Creegan + D'Angelo/ AGS JV	Pier 70, Forest City Waterfront Site, Engineering Support	64,514
Creegan + D'Angelo/ AGS JV	Structure Surveying Conditions Various. Piers	177,000
Creegan + D'Angelo/ AGS JV	As Needed Drafting Services	20,000
Seifel	SWL 337 & Pier 48 Negotiation Support 2	96,927
Baseline	Storm Water Monitoring Services	47,422
Baseline	Storm Water Compliance Services	183,000
Tetra Tech/AEW JV	Biological Monitoring and Reporting, Brannan Street Wharf	139,796
Tetra Tech/AEW JV	Restoration Abatement and Environmental Oversight at Pier 29 Shed	32,616
Tetra Tech/AEW JV	Underground Storage Tank (UST) Closure Services (Howard & Embarcadero)	26,743
Tetra Tech/AEW JV	Bayview Gateway Park Maher Study	39,800
Tetra Tech/AEW JV	Environmental Services	39,972
Weiss Associates	UST Closure Services (Pier 80)	82,960
Total CSO Value Issued		\$1,794,286

³ The Port Commission also has authorized the Executive Director (Port Commission Resolutions 09-29 and 09-37) to execute Contract Service Orders up to \$500,000 without further review or approval of the Port Commission.

3. FY 2012-13 Local Business Enterprise (LBE) Contract Participation:
\$12,913,937

Contracts Awarded in FY 2012-13

Between July 1, 2012 and June 30, 2013, the Port awarded ten new contracts with a cumulative not-to-exceed amount of \$17.4 million. Of these ten contracts, six contracts comply with the rules of Administrative Code 14B and therefore include LBE subcontracting goals. These agreements have a cumulative not-to-exceed amount of \$3.6 million and a collective LBE participation goal of 24%, or \$860,360, as shown in Table 1 below:

Table 1 - Contracts Awarded in FY 2012-13

Type of Transaction	Total No. of Contracts	Total Dollar Amt	Total LBE Goal Amt	LBE %
Construction	1	\$428,499	\$111,410	26%
Professional Services	<u>5</u>	<u>\$3,198,950</u>	<u>\$748,950</u>	<u>23%</u>
Total 14B Eligible Contracts	6	<u>\$3,627,449</u>	<u>\$860,360</u>	24%
Construction Exempt	1	\$12,124,132	NA	NA
Professional Services Exempt	3	\$1,605,999	NA	NA
Total Exempt Contracts	<u>4</u>	<u>\$13,730,131</u>	<u>NA</u>	<u>NA</u>
Grand Total	10	<u>\$17,357,580</u>		

Exemptions. The Board of Supervisors and/or CMD determined that four of the contracts issued in FY2012-13 are exempt from LBE subcontracting goals. The Board of Supervisors approved the issuance of two emergency contracts as a result of the Pier 29 fire and these agreements are exempt from LBE goals. The remaining two contracts are exempt because the total value of each contract is below the \$100,000 threshold for competitive bidding and \$50,000 threshold for Administrative Code 14B requirements. Notably, one of these small contracts is held by a micro LBE prime contractor, Esther Reyes Consulting in the amount of \$30,000.

Actual Contract Payments. As shown in Table 2 below, in FY 2012-13, the Port made \$77.9 million of payments to consultants and contractors subject to Administrative Code 14B requirements. Of this amount, 18 % or \$12.9 million was paid to LBEs.

Table 2 – Contract Payments and LBE Participation for FY 2012-13

Type of Transaction	Total	LBE	
	Dollar Amt	Amt	LBE %
As-Needed CSOs	\$2,441,862	\$537,758	22%
Construction	\$66,287,268	\$11,582,614	17%
Professional Services	\$4,658,289	\$793,565	17%
Total 14B Eligible Transactions	\$73,387,419	\$12,913,937	18%

For further details on contracting activities described in the above table, please see *Exhibits 1, 2, and 3.*

As-Needed Contracts. As-Needed contract LBE subcontractor payments in FY 2012-13 were made at a rate of 22%, representing \$0.54 million in payments to LBEs. This result is above the CMD requirement for these agreements (20.8%) and the Port Commission's 20% policy. The environmental related work was especially strong at 31% and engineering related work tracked closely to goal. The real estate economics contracts continue to fall below the CMD goal of 22%. This is due in part to modifying the contract with Economic Planning Systems to add a non-LBE subcontractor, Barrett Sports Group LLC, to complete analysis related to the Golden State Warrior's Arena proposal for the amount of \$62,000. Staff is working with CMD to seek a retroactive LBE waiver for this specific work since Barrett Sports Group LLC has special expertise related to analysis of arena projects. Port staff is also working diligently with the consultants to identify LBE opportunities in future contract service orders to ensure that, over the life of the contracts, the prime contractors will meet their LBE subcontracting obligations. The Port has made significant gains in the fourth quarter (31% LBE participation) in addressing the deficit in LBE participation for real estate economic contracts. This was achieved through close coordination with the prime contractors to define project scopes to expand opportunities for LBE subcontractor participation.

Construction Contracts. Construction contract LBE subcontractor payments in FY 2012-13 were made at a rate of 17%, representing \$11.6 million in payments to LBEs. This result is above the CMD requirement for these agreements (15%) but below the Port Commission's policy of 20%. CMD continues to work on certifying new LBE subcontractors and in carefully analyzing the scope of Port construction work to maximize LBE participation. While the majority of construction contracts are meeting or exceeded their individual LBE goals, a couple of contracts are not doing so including the maintenance dredging contract and Pier 50 valley repair project.

In the case of the maintenance dredging contract, payments to LBE subcontractors continued to fall under the CMD established 3% LBE goal. The 3% goal was based on the estimated need for trucking contaminated dredge spoils for landfill disposal.

However, little of the Port dredging work has required landfill disposal of the dredged spoils. Based on the locations of the planned dredging work, the Port expects that the contractor will not have the opportunity to meet the 3% goal over the life of the contract, as the Port does not expect significant contamination at the planned dredging sites. CMD staff has worked with the contractor to seek other possible LBE opportunities for this dredging work in technical analysis. CMD advises that this contractor will likely not meet the LBE goal because the dredge material does not require landfill disposal.

With respect to a construction contract for the Pier 50 Valley repair project, CMD has reviewed the completed project and determined that the prime contractor has complied with the subcontracting requirements even though they did not meet the project's LBE participation goal. CMD determined that there were two reasons that the prime contractor did not meet the goal: 1) due to site conditions the Contractor requested and the Port approved a change order that removed a portion of the work to be done by one of the LBE subcontractors, and 2) one of the subcontractors unexpectedly advised the prime contractor that they could not do the work, leaving the prime contractor insufficient time to bring on a new LBE subcontractor to perform the work.

Professional Services Contracts. Professional services contract LBE subcontractor payments in FY 2012-13 were made at a rate of 17%, representing \$0.79 million in payments. This result is above the CMD requirement for these agreements (16%) but below the Port Commission's policy (20%). Notably, when considering LBE participation for all open contracts to date, these contracts are achieving 41% participation (see Exhibit 6).

As shown in Exhibit 3, for the vast majority of professional service contracts, spending to subcontractor LBEs was on track or outperforming the CMD requirements for contract close-out. The two exceptions are the Financial Advisory Services contract and Brannan Street Wharf design contract. For the Financial Advisory Services contract, when the contract was developed and the LBE goal established, the Port anticipated the work to be performed as only the issuance of Port revenue bonds during the life of the contract. Instead, the Port relied on City Certificates of Participation for America's Cup improvements and Phase I of the Cruise Terminal. The Port will issue Port revenue bonds in the fall of 2013. This will create the opportunity to assign much of the work to an LBE subcontractor and significantly improve LBE subcontractor participation for this contract. The Brannan Street Wharf design contract (which is distinct from the construction contract) had lower than average LBE participation in FY 2012-13. As shown in Exhibit 6, the Brannan Street Wharf design contract will exceed the contract goal at contract close-out (21% actual participation with a 20% goal).

In summary, for the majority of agreements, contract spending is tracking at or above CMD goals as shown in Table 3 below.

Table 3 – FY 2012-13 Contract Payments to LBE Subcontractors Compared to CMD Goal

Type of Transaction	Total contract spending	Total LBE subcontractor payments	CMD goal	Variance
As-Needed CSOs	2,441,862	537,758	507,000	30,758
Construction	66,287,268	11,582,614	10,654,429	928,185
Professional Services	<u>4,658,289</u>	<u>793,565</u>	<u>744,368</u>	<u>49,197</u>
Total	73,387,419	12,913,937	11,905,797	1,008,140
<i>Percent of total</i>		<i>18%</i>	<i>16%</i>	

4. Compliance with Local Hire Requirements

The San Francisco Local Hiring Policy for Construction applies construction projects advertised for bid after March 25, 2011 that pertain to public works or improvements that are city funded with an engineer's estimate above \$400,000.

The Local Hire Ordinance (Section 6.22.G.4 of the San Francisco Administrative Code) requires contractors and their subcontractors to attain a minimum of 20%⁴ total work hours by trade per project using San Francisco residents. The Ordinance also requires that 25% of apprentice hours per trade be performed by disadvantaged San Francisco residents. The program is managed by the Office of Economic and Workforce Development (OEWD).

⁴ Local Hire requirements increase from 20% to 25% on applicable contracts solicited after March 2012.

Table 4 below shows the status of the Port's four projects subject to Local Hire requirements. The color coding of the Local Hire Percent and Local Hire Apprentice Percent cells indicates whether the project is meeting its local hire requirement as of June 30, 2013 (Green), not yet meeting the requirement but expected to so at project completion (Yellow), or the project is in danger of never meeting the Local Hire requirement by project completion (Red).

Table 4 – Local Hire Project Yearend FY 2012-13
(20% Local Hiring Requirement; 25% Apprentice Hours)

Project	Completion Percent	Trade Exemption	Local Hire Percent	Local Hire Apprentice Percent	Project Status
Pier 27 Cruise Terminal and America's Cup 34 Improvements	75%	Yes	26%	40%	Green
Pier 33½ Improvements	100%	Yes	45%	76%	Green
Pier 50 Valley Substructure Repairs	99%	Yes	12%	64%	Green
The Brannan Street Wharf	99%	Yes	20%	30%	Green

During FY 2012-13, 1,362 workers worked on the projects above, which were subject to the City's Local Hire ordinance. Of that amount, 292 were local workers. OEWD reports that these jobs accounted for over 58,225 hours across a variety of trades for local residents.

Under the Local Hire Ordinance, contractors are allowed to request conditional waivers and exemptions from the local hiring requirements. OEWD reviews all requested waivers and determines approval. The prime contractors for Pier 27/AC34, Pier 50, and Brannan Street Wharf all requested conditional waivers and exemptions. OEWD currently has a hold to closeout Pier 50 and Brannan Street Wharf due to the pending submittal of supportive waiver documentation from the contractors. Once all documentation has been received, OEWD can assess the waivers for approval or rejection.

All marine related Pile Driving and Operating Engineering work are considered specialized trades and are exempt from the City's mandatory local hiring policy. Work hours from specialized trades are excluded from the percentage requirements. The projects listed in Table 3 all had exemptions for marine related pile driving and operating engineering work.

OEWD has advised the Port that to date, a total of 51 CityBuild clients have been employed by Port projects through the Local Hiring policy. Eleven workers are graduates from the CityBuild Academy, the City's pre-apprenticeship construction training program. A CityBuild client is an economically disadvantaged San Francisco Resident who is registered and obtaining workforce services from the OEWD.

It should be noted that OEWD does not determine project compliance until the project reaches 100% completion. Port staff is working closely with OEWD to ensure that the Port's contractors are meeting their obligations under the Local Hire Ordinance.

III. CONCLUSION

In FY 2012-13, the Port provided over \$12 million in contract payments to City-certified San Francisco based small businesses. While the Port just missed meeting its internal goal of 20% aggregate LBE subcontractor participation, most contracts are meeting or exceeding their contractually obligated CMD goals based on overall spending to date. Port projects also provided 292 San Francisco workers with 58,225 trade hours. In FY 2012-13, the Port issued six new Administrative Code 14B eligible contracts that had a combined participation rate of 24%.

Port staff will continue to work collaboratively with CMD and OEWD staff and the contractors in order to ensure continuing success in meeting LBE subcontractor participation and Local Hire goals. Monitoring and reporting allows staff to identify early contractors that might have compliance issues and rectify the situation prior to the completion of the contract. Port staff will work towards continued achievement of the Port's LBE subcontractor participation and Local Hire goals to meet or exceed all contract requirements and to expand small business and local hire opportunities on future projects.

Prepared by: E. Andrés Acevedo
Contract Administration

Prepared for: Elaine Forbes, Deputy Director
Finance & Administration

Uday Prasad
Acting Chief Harbor Engineer

cc: Contract Monitoring Division, Finbarr Jewell
Local 21, IFPTE, Ging Louie

Attachments:

- Exhibit 1: As-Needed Contract Service Order (CSO) Payments
- Exhibit 2: Construction Contract Payments
- Exhibit 3: Professional Services Contract Payments
- Exhibit 4: Total As-Needed CSO Expenditures to date
- Exhibit 5: Total Construction Contract Expenditures to date
- Exhibit 6: Total Professional Services Contract Expenditures to date
- Exhibit 7: Contracts Awarded to date in FY 2012-13

As-Needed Annual Contract Service Orders (Exhibit 1)

(July 1, 2012 -June 30, 2013)

As Needed Contracts

Total Contract Amt.		Third Quarter			Fourth Quarter			Total for the Year			
Professional Services Consultants		Paid in Qtr.	LBE Amt.	LBE%	Paid in Qtr.	LBE Amt.	LBE%	Total Amt. Paid	LBE Amt.	LBE%	LBE Goal
Real Estate*											
Bay Area Economics	\$500,000	\$0	\$0	0%	\$68,623	\$0	0%	\$68,623	\$0	0%	22%
Seifel Consulting, LBE	\$500,000	\$69,409	\$16,927	24%	\$60,842	\$744	1%	\$202,987	\$17,671	9%	22%
Economic Planning Systems	\$500,000	\$162,793	\$0	0%	\$147,541	\$67,156	46%	\$430,712	\$67,156	16%	22%
Keyser Marston Assoc.	\$500,000	\$28,134	\$0	0%	\$65,061	\$37,708	58%	\$124,046	\$37,708	30%	22%
Total Real Estate Services	\$2,000,000	\$260,336	\$16,927	7%	\$342,067	\$105,608	31%	\$826,368	\$122,535	15%	22%
Engineering & Related											
Creegan + D'Angelo/F.E. Jordan, LBE	\$1,500,000	\$130,778	\$47,790	37%	\$78,609	\$0	0%	\$322,799	\$66,348	21%	20%
Winzer & Kelly/SDE JV	\$1,500,000	\$24,884	\$1,932	8%	\$116,452	\$75,338	65%	\$200,909	\$83,192	41%	20%
URS/AGS JV**	\$1,500,000	\$0	\$0	0%	\$80,688	\$0	0%	\$141,832	\$13,707	10%	20%
Creegan + D'Angelo/AGS JV	\$1,500,000	\$0	\$0	0%	\$33,170	\$22,420	68%	\$210,028	\$22,420	11%	21%
Gerwick/SDE JV	\$1,500,000	\$0	\$0	0%	\$0	\$0	0%	\$0	\$0	0%	21%
PB-Structus Inc. LBE JV	\$1,500,000	\$0	\$0	0%	\$0	\$0	0%	\$0	\$0	0%	21%
Total Engineering & Related	\$9,000,000	\$155,662	\$49,722	32%	\$308,919	\$97,758	32%	\$875,568	\$185,667	21%	21%
Environmental & Related											
Baseline	\$1,000,000	\$40,571	\$1,664	4%	\$12,614	\$0	0%	\$210,472	\$66,697	32%	20%
Tetra Tech/AEW, LBE JV	\$1,000,000	\$106,961	\$43,155	40%	\$13,277	\$11,700	88%	\$368,755	\$152,171	41%	20%
Weiss Associates	\$1,000,000	\$22,660	\$3,872	17%	\$18,442	\$6,816	37%	\$160,699	\$10,688	7%	20%
Total Environmental & Related	\$3,000,000	\$170,192	\$48,691	29%	\$44,333	\$18,516	42%	\$739,926	\$229,556	31%	20%
TOTAL As-Needed Contracts	\$14,000,000	\$586,190	\$115,340	20%	\$695,319	\$221,882	32%	\$2,441,862	\$537,758	22%	

Bolded Firms are City-Certified LBEs

Construction Contracts (Exhibit 2)

(July 1, 2012 - June 30, 2013)

Project Title	Vendor Name	LBE Applicable* Contract Amount	LBE Goal %	Third Quarter		Fourth Quarter		Total Spending for FY	
				Total Spending for FY 12-13	LBE Actuals for Quarter	LBE Actuals for Quarter	Total Spending for 4th Qtr. FY 12-13	Total Spending FY 12-13	LBE Actuals for FY
Brannan Street Wharf Park	Dutra	\$13,537,800	9%	\$3,637,525	\$253,613	\$731,292	\$3,197,981	\$12,655,036	\$1,384,100
Pier 43-1/2 Bay Trail Link**	Vortex	\$6,383,000	20%	\$0	\$0	\$0	\$689,824	\$7,381,894	\$1,137,848
Marine Structural Projects III*****	West Bay	\$1,325,000	25%	\$303,866	\$18,501	\$0	\$247,390	\$326,356	\$18,501
Maintenance Dredging 2011-15***	Dutra	\$4,000,000	3%	\$0	\$0	\$0	\$1,014,517	\$3,153,870	\$0
Heron's Head Park Improvement**	Yerba Buena	\$1,380,000	22%	\$0	\$0	\$0	\$237,112	\$1,082,382	\$406,248
Pier 33%	Roebuck Construction, LBE	\$2,835,000	23%	\$1,489,107	\$174,808	\$282,983	\$710,073	\$3,061,792	\$853,488
Roundhouse 2 - HVAC Central Plant Upgrade***	Evra	\$453,000	5%	\$35,000	\$0	\$0	\$0	\$200,761	\$46,000
Pier 27 Cruise Terminal CM/GC*****	Turner	\$40,291,879	17%	\$8,802,050	\$3,357,388	\$113,085	\$847,937	\$32,933,233	\$6,999,359
America's Cup CM/GC (4th Mod)	Turner	\$5,359,358	12%	\$3,693,252	\$93,734	\$14,500	\$2,408,822	\$8,609,982	\$733,908
Pier 50 Valley Repair****	West Bay	\$1,333,640	18%	\$363,323	\$1,836	\$0	\$0	\$931,013	\$1,836
Pier 23 Electrical Service Upgrade	Anvil Building, LBE	\$428,499	26%	\$250,949	\$75,000	\$37,000	\$158,679	\$427,259	\$112,000
Total LBE Contracts		\$77,327,176	15%	\$18,575,072	\$3,974,880	\$1,178,860	\$9,512,335	\$70,763,578	\$11,693,288
Pier 27 Cruise Terminal CM/GC (Federal Grant Portion)	Turner	\$4,976,598	N/A	\$85,402	N/A	N/A	\$3,811	\$848,057	N/A
Pier 29 Fire Damage Repair	Turner	\$1,862,654	N/A	\$5,060,121	N/A	N/A	\$3,185,483	\$11,680,547	N/A
Total LBE Exempt Contracts		\$6,839,252	N/A	\$5,145,523	N/A	N/A	\$3,189,294	\$12,528,604	N/A

Total LBE Applicable Spending (excluding change orders)	LBE Actuals In FY 2012-13	Adjusted LBE Actual%
\$66,287,268	\$11,693,288	18%

*Includes original base contract amount and any modifications, options, or change orders that HRC determines may be included as part of a revised goal

** Since the amount spent to date exceeds the LBE applicable amount, the LBE applicable amount was used as the denominator in calculating LBE actual

*** Port and CMD staff are working to address the short fall in LBE participation. For a further explanation see page 6 of the report

**** CMD has audited the project and determined that the contractor has complied with the subcontracting requirements. LBE short fall was due to reasons outside of contractor control

*****Numbers subject to change due to retroactive adjustments

Professional Services Contracts (Exhibit 3)

(July 1, 2012 - June 30, 2013)

Project Title		Vendor Name	Total Contract Amount	Third Quarter			Fourth Quarter			Total for FY 2012-13				Comments
				Total Spending for 3rd Qtr, FY 12-13	LBE Payments for Quarter	LBE % for Quarter	Total Spending for 4th Qtr, FY 12-13	LBE Payments for Quarter	LBE % for Quarter	Total Spending for FY 12-13	LBE Payments for FY 12-13	LBE % for FY 12-13	LBE Goal %	
Contract With LBE Goals														
150 th Anniversary		Media Consulting International, Micro LBE	\$38,950	\$6,525	\$6,525	100%	\$4,975	\$4,975	100%	\$38,950	\$38,950	100%	50%	50% Micro LBE setaside
150 th Anniversary		Molly Duggan Associates, Micro LBE	\$110,000	\$25,000	\$25,000	100%	\$0	\$0	0%	\$25,000	\$25,000	100%	50%	50% Micro LBE setaside
150 th Anniversary		Davis & Associates, Micro LBE	\$50,000	\$17,592	\$17,592	100%	\$32,383	\$32,383	100%	\$49,975	\$49,975	100%	50%	50% Micro LBE setaside
Financial Advisory Services		Public Financial Management *	\$449,000	\$0	\$0	0%	\$0	\$0	0%	\$3,850	\$0	0%	40%	
Brannan Street Wharf Park Design		WK/S JV	\$1,906,292	\$69,423	\$10,454	15%	\$31,501	\$0	0%	\$211,411	\$20,189	10%	20%	
Crane Cove Park		AECOM	\$709,850	\$55,738	\$10,966	20%	\$51,119	\$1,164	2%	\$192,743	\$26,786	14%	12%	
Pier 27 Architectural and Design		KMD/Pfau Long	\$9,950,000	\$298,314	\$164,426	55%	\$129,191	\$33,540	26%	\$4,136,360	\$632,665	15%	15%	
Total LBE Contracts			\$ 13,214,092	\$ 472,592	\$234,963	50%	\$ 249,169	\$ 72,062	29%	\$ 4,658,289	\$ 793,565	17%	16%	
Contracts that are Exempt from 14B														
Pier 29 Fire Recovery		Creegan + D'Angelo	\$1,566,000	\$357,258	\$47,901	13%	\$212,773	\$27,966	13%	\$1,497,897	\$283,217	19%	NA	Emergency Contract
Contracting Process Consulting		Ester Reyes, Micro LBE	\$30,000	\$12,150	\$12,150	100%	\$10,238	\$10,238	100%	\$22,388	\$22,388	100%	NA	Contract size
Management Coaching		Mariposa Leadership	\$10,000	\$4,995	\$0	0%	\$4,995	\$0	0%	\$9,990	\$0	0%	NA	Contract size
Foreign Trade Zone Consulting Services		Roger L. Peters	\$30,000	\$3,207	\$0	0%	\$2,220	\$0	0%	\$13,152	\$0	0%	NA	Contract size
Youth Employment Services		San Francisco Conservation Corps	\$896,989	\$8,909	\$0	0%	\$0	\$0	0%	\$44,372	\$0	0%	NA	Exemption Nonprofit
Total Exempt Contracts			\$ 2,532,989	\$ 357,258	\$ 60,051	17%	\$ 212,773	\$ 38,204	18%	\$ 1,497,897	\$ 305,605	20%	NA	
Total Contracts (including exempt)			\$ 15,747,081	\$ 829,850	\$295,014	36%	\$ 461,942	\$ 110,266	24%	\$ 6,156,186	\$ 1,099,170	18%	Varies	

* Port finance staff is working with the contractor and CMD staff to identify additional LBE subcontracting opportunities

As-Needed Annual Contract Service Orders (Exhibit 4)

Total Spending To Date

Professional Services Consultants	Total Contract Amt.	Total Amt. Paid	LBE Amt.	LBE%	LBE Goal
Real Estate*					
Bay Area Economics	\$500,000	\$68,623	\$0	0%	22%
Seifel Consulting, LBE	\$500,000	\$202,987	\$17,671	9%	22%
Economic Planning Systems	\$500,000	\$428,958	\$67,156	16%	22%
Keyser Marston Assoc.	\$500,000	\$96,695	\$50,551	52%	22%
Total Real Estate Services	\$2,000,000	\$797,263	\$135,378	17%	22%
Engineering & Related					
Creegan + D'Angelo/F.E. Jordan, LBE	\$1,500,000	\$1,276,199	\$318,218	25%	20%
Winzer & Kelly/SDE JV	\$1,500,000	\$1,139,649	\$343,219	30%	20%
URS/AGS JV	\$1,500,000	\$947,979	\$153,985	16%	20%
Creegan + D'Angelo/AGS JV	\$1,500,000	\$33,170	\$22,420	68%	21%
Gerwick/SDE JV	\$1,500,000	\$0	\$0	0%	21%
PB-Structus Inc. LBE JV	\$1,500,000	\$0	\$0	0%	21%
Total Engineering & Related	\$9,000,000	\$3,396,997	\$837,843	25%	21%
Environmental & Related					
Baseline	\$1,000,000	\$224,320	\$67,925	30%	20%
Tetra Tech/AEW, LBE JV	\$1,000,000	\$346,858	\$126,648	37%	20%
Weiss Associates	\$1,000,000	\$339,262	\$20,845	6%	20%
Total Environmental & Related	\$3,000,000	\$910,440	\$215,418	24%	20%
TOTAL As-Needed Contracts	\$14,000,000	\$5,104,700	\$1,188,639	23%	

Bolded Firms are City-Certified LBEs



Professional Services Contracts (Exhibit 6)

Total Contract Spending for Open Contracts

Total Spending on Contract to Date								
Project Title	Date	Vendor Name	Total Contract Amount	Total Amount to Date	LBE Goal \$	LBE Goal %	LBE Dollars to Date	LBE % to Date
Professional LBE Contracts								
150 th Anniversary	1st Qtr.	Media Consulting International*	\$38,950	\$38,950	\$19,475	50%	\$38,950	100%
150th Anniversary	3rd Qtr.	Molly Duggan Associates	\$110,000	\$25,000	\$55,000	50%	\$25,000	100%
150th Anniversary	3rd Qtr.	Davis & Associates	\$50,000	\$49,975	\$25,000	50%	\$49,975	100%
Financial Advisory Services	Ongoing	Public Financial Management **	\$449,000	\$264,775	\$179,600	40%	\$22,000	8%
Brannan Street Wharf Park Design	Ongoing	WK/S JV	\$1,906,292	\$1,902,259	\$381,258	20%	\$402,089	21%
Crane Cove Park	Ongoing	AECOM	\$709,850	\$458,473	\$85,182	12%	\$140,500	31%
Pier 27 Architectural and Design	Ongoing	KMD/Pfau Long	\$9,950,000	\$8,850,743	\$1,492,500	15%	\$4,105,859	46%
Professional LBE Exempt Contracts								
Pier 29 Fire Recovery	1st Qtr.	Creegan + D'Angelo	\$1,566,000	\$1,497,897	NA	NA	\$88,017	6%
Contracting Process Consulting	1st Qtr.	Ester Reyes	\$30,000	\$27,038	NA	NA	\$27,038	NA
Management Coaching	2nd Qtr.	Manposa Leadership	\$10,000	\$9,990	NA	NA	NA	NA
Foreign Trade Zone Consulting Services	Ongoing	Roger L. Peters	\$30,000	\$18,352	NA	NA	NA	NA
Youth Employment Services	Ongoing	San Francisco Conservation Corps	\$896,989	\$818,754	NA	NA	NA	Nonprofit
Total LBE Contracts			\$ 13,214,092	\$ 11,590,175	\$ 2,238,015	17%	\$ 4,784,373	41%
Total Exempt Contracts			\$ 2,532,989	\$ 2,372,031	\$ -	NA	\$ 115,055	NA
Total Contracts (including exempt)			\$ 15,747,081	\$ 13,962,206	\$ 2,238,015	NA	\$ 4,899,428	NA

* MCI is an LBE. The Public Affairs pool, that this contract is part of, includes a 50% micro LBE goal.

** Port finance staff is working with the contractor and CMD staff to identify additional LBE subcontracting opportunities



Contracts Awarded in Fiscal Year 2012-13 (Exhibit 7)
(July 1, 2012 - June 30, 2013)

Project Title	#	Vendor Name	Original Contract Amount	Total Contract Amount (with Mods)	LBE Goal %	Total LBE \$ Required	Awarded
Construction							
Pier 23 Electrical Service Upgrade	1	Anvil Construction, LBE	\$428,499	\$428,499	26%	\$111,410	2nd Quarter
Total LBE applicable contracts			\$428,499	\$428,499	26%	\$111,410	
Construction Services Exempt							
Emergency Contract: Pier 29 Fire Damage Repair	2	Turner	\$1,862,654	\$12,124,132	NA		1st Quarter
Total Exempt contracts			\$1,862,654	\$12,124,132	NA		
Total Construction			\$2,291,153	\$12,552,631			
Professional Services							
Public Relations Consultant	3	Media Consultants International, Micro LBE	\$38,950	\$38,950	50%	\$38,950	1st Quarter
Public Relations Consultant	4	Davis & Associates, Micro LBE	\$50,000	\$50,000	50%	\$25,000	3rd Quarter
Public Relations Consultant	5	Molly Duggan & Associates, Micro LBE	\$110,000	\$110,000	50%	\$55,000	3rd Quarter
As-Needed Engineering	6	C+D	\$1,500,000	\$1,500,000	21%	\$315,000	3rd Quarter
As-Needed Engineering	7	Gerwick/SDE J/V	\$1,500,000	\$1,500,000	21%	\$315,000	3rd Quarter
Total LBE Applicable contracts			\$3,198,950	\$3,198,950	23%	\$748,950	23%
Professional Services Exempt							
Pier 29 Fire Emergency	8	Creegan + D'Angelo	\$180,000	\$1,566,000	NA	\$0	1st Quarter
Contracting Consultant	9	Esther Reyes Consulting, Micro LBE	\$30,000	\$30,000	NA	\$0	1st Quarter
Executive Coaching	10	Mariposa Leadership	\$9,999	\$9,999	NA	\$0	2nd Quarter
Total Exempt contracts			\$219,999	\$1,605,999	NA	\$0	-
Total Professional Services			\$3,418,949	\$4,804,949			
Total LBE applicable construction and professional services contracts	6		\$3,627,449	\$3,627,449	24%	\$860,360	
Total construction and professional services contracts (Including LBE exempt contracts)	10		\$5,710,102	\$17,357,580			





MEMORANDUM

September 6, 2013

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz
Hon. Mel Murphy

FROM: Monique Moyer *M Moyer*
Executive Director

SUBJECT: Request (1) a rescission of Port Commission Resolution 12-90, (2) endorsement of the PG&E ZA-1 Embarcadero-Potrero 230kV Transmission Project Revised Term Sheet and (3) authorization to enter into a Negotiation Agreement with PG&E, all related to onshore and submerged Port land between Pier 28½ and the foot of 23rd Street and PG&E parcels Block 4110 (Lot 008A) and Block 4120 (Lot 002)

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Background

On November 13, 2012, the Port Commission approved Resolution 12-90, endorsing the ZA-1 Embarcadero-Potrero 230kV Transmission Project Term Sheet ("Original Term Sheet") between the Port and PG&E and authorizing Port staff to enter into a Negotiation Agreement with PG&E, all related to onshore and submerged Port land between Pier 28 ½ and the foot of 23rd Street and PG&E parcels Block 4110 (Lot 008A) and Block 4120 (Lot 002), commonly known as the "Hoedown Yard" (see Exhibits A and B).

Since November 13, 2012, Port staff has engaged in periodic negotiations with PG&E in concert with the Office of Mayor Ed Lee and the Office of Economic and Workforce Development. These negotiations have resulted in a revised Term Sheet between the City, acting through the Port and the Office of Economic and Workforce Development, and PG&E. This report is an amended and restated version of the November 13, 2012 staff report to the Port Commission reflecting the revised terms of the proposed Term Sheet ("Revised Term Sheet").



Introduction

Pacific Gas & Electric ("PG&E") proposes to construct a new, single circuit, 230 kV transmission line between its Embarcadero Substation and its Potrero Substation to increase reliability of electric service to downtown San Francisco and provide operational flexibility ("ZA-1 Project"). Exhibit C to this staff report shows the service area of the existing Embarcadero Substation that will benefit from this reliability improvement.

One of the proposed routes for the proposed project contemplates transmission line installation along submerged land in the Port's jurisdiction, subject to the Port's proprietary approval. On August 14, 2012, Port staff and representatives of PG&E delivered an informational presentation to the Port Commission describing the proposed project. On November 13, 2012, the Port Commission approved Resolution 12-90, endorsing the ZA-1 Embarcadero-Potrero 230kV Transmission Project Original Term Sheet between the Port and PG&E. Exhibit A to this staff report shows the proposed route for the submarine alternative for the project along Port submerged land. Subsequent to the Port Commission's approval of Resolution 12-90, PG&E submitted an application to the California Public Utilities Commission ("CPUC") to commence a public process to review the cost-effectiveness and environmental impacts of the submarine route, subject to other required proprietary and regulatory approvals, including approval by the Federal Energy Regulatory Commission ("FERC") and the California Independent System Operator ("CAISO").

In August 2013, the CPUC published a Draft Mitigated Negative Declaration and Supporting Initial Study ("Draft MND") for the ZA-1 Project to obtain public comment on its environmental analysis. Port staff circulated the Draft MND for comment to sister City departments. The timeline for public comment on the Draft MND requires that written comments are received by the CPUC no later than 5:00 PM September 16, 2013 at the following address:

Billie Blanchard
California Public Utilities Commission
c/o Aspen Environmental Group
235 Montgomery Street, Suite 935
San Francisco, CA 94104-3002
embarcaderopotrero@aspeneg.com

A copy of the Draft MND can be found at:

http://www.cpuc.ca.gov/Environment/info/aspen/embarc-potrero/dmnd/Embarcadero-Potrero_230_kV_Transmission_Project_Draft_MND-IS.pdf

City staff has reviewed the Draft MND and based on initial review do not intend to submit comments.

Port staff requests (i) endorsement of a Revised Term Sheet attached as Exhibit D to this staff report outlining the basic terms between the City and County, acting through



the Port Commission, and PG&E for use of Port lands by PG&E for the proposed submarine route and (ii) authorization for the Port Executive Director to enter into the negotiations agreement, as further described below, with PG&E. As further described in this report, the Revised Term Sheet contemplates:

1. a long-term, non-exclusive license to construct and operate the ZA-1 Project,
2. a transferable option for the Office of Economic and Workforce Development ("OEWD") to purchase PG&E-owned land at Illinois and 22nd Streets (see Exhibit B) subject to CPUC approval pursuant to Section 851 of the California Public Utilities Code, and
3. a requirement for PG&E to screen or otherwise enclose the Potrero Substation which is situated along Illinois Street between 22nd Street and 23rd Street (see Exhibit A), subject to review by the Waterfront Design Advisory Committee ("WDAC"), environmental review pursuant to CEQA and other required approvals.

Project Description

The proposed Embarcadero-Potrero cable, or ZA-1, would provide a third cable into Embarcadero Substation. Seismic risk is a key consideration in its design and routing. If approved, ZA-1 also will connect PG&E's 230 kV system in San Francisco with both the Trans Bay Cable ("TBC")¹ and PG&E's existing 115 kV systems in San Francisco, providing operational flexibility to both the 230 kV and 115kV systems. Both PG&E and City staff consider the Embarcadero-Potrero 230 kV Transmission Project a high priority because of the impact that outages would have on downtown San Francisco.

The project will involve both transmission line work and substation work. Three major elements are:

- Construct an approximately 3-mile, 230 kV submarine cable between the Embarcadero and Potrero Substations;
- Terminate the new cable into a 230 kV bus (to be upgraded as part of a separate reliability project that is underway) at the Embarcadero Substation; and
- Construct a new 230 kV switchyard adjacent to the Potrero Substation, terminate the new cable there, and interconnect the new 230 kV and existing 115 kV switchyards at Potrero Substation via two new 230/115 kV transformers.

The submarine cable route would run in a reinforced underground duct bank about 2 city blocks along the TBC alignment as it exits the Potrero Switchyard and enters the Bay. It would then continue in the Bay along the general alignment and several hundred feet to the west of the TBC, and then return to land 2-3 city blocks from the

¹ On August 7, 2007, by Resolution 414-07, the San Francisco Board of Supervisors approved a 66 year license for the construction and operation of the Trans Bay Cable on Port submerged land.



Embarcadero Substation, where it would be installed in a reinforced underground duct bank to the substation. Both landings from the Bay to land will be accomplished through horizontal directional drilling.

Negotiation Agreement

Port staff and representatives of PG&E have negotiated a negotiation agreement ("Negotiation Agreement"), a copy of which is on file with the Port Commission Secretary. Under the Negotiation Agreement, PG&E is responsible for obtaining all regulatory approvals for the Project and will pay expenses reasonably incurred by Port directly and solely related to the Project for, including, but not limited to, time spent on the Project by Port staff, the services of real estate and economic consultants, and legal services. PG&E will also pay the Port's costs for legal services associated with the Project that were incurred prior to the execution of the Negotiating Agreement.

Appraisals

To calculate the value of the license area, and for purposes of the option to acquire the Hoedown Yard (discussed below), Port staff commissioned an appraisal through the Department of Real Estate's ("DRE") as-needed appraiser pool. The City selected Associated Right of Way Services, Inc. to conduct the appraisal, and PG&E concurred with the selection. This appraisal indicated industrial land values that exceeded the expectations of both Port and PG&E staff. PG&E requested the Port's authorization to conduct a second appraisal, which Port staff granted, and PG&E conducted its own appraisal, subject to appraisal instructions approved by the Port, utilizing David Tattersol & Associates, an appraiser also listed in DRE's as-needed pool.

In both instances, appraisal instructions were to determine:

- (a) the fee simple value of the Site assuming raw clean undeveloped land subject only to current zoning (M-2) i.e. market value; and
- (b) the fee simple value of the Site "AS-IS" with all faults using assumptions as to the cost of compliance with the Site Management Plan and any other documents provided ... that affect value.

The conclusions of these appraisals were presented in a November 23, 2012 final appraisal report by Associated Right of Way Services, Inc. and a February 13, 2013 final appraisal report by David Tattersol & Associates, done in compliance with Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP). The average of the land value indicated by these two appraisals is \$68.50 per square foot which affects both the submerged license area and the Hoedown Yard.

The approach to establishing rent for the submerged license area is based on industrial upland values. The process for valuing the Hoedown Yard requires the same analysis. City staff and PG&E representatives therefore agreed to use a single appraisal (using the same set of comparable land values of \$68.50 psf) for purposes of valuing both the submerged license area and the Hoedown Yard.



In establishing rent for the proposed license area, most of which is submerged land, Port staff and PG&E agreed on the following formulas:

- Exclusive use areas: 50% industrial upland value (\$68.50 psf) x 8% capitalization rate
- Compatible (non-exclusive) use areas: 25% industrial upland value (\$68.50 psf) x 8% capitalization rate
- Upland underground areas: \$0.031562/sf, based on the rate for like property in the Hunters Point-Potrero license area
- A two year construction period rent for the same areas, reduced by 75%

The parties agreed to a prepaid rent structure for the initial forty (40) year term of the agreement utilizing a 6.5% discount rate, which is the current estimated blended average of the Port's costs of funds.

Proposed Terms

Port staff and representatives of PG&E have negotiated a Term Sheet for the project. The following are the high-level terms for the proposed non-exclusive license, which are provided in greater detail in Exhibit D:

License Area: 508,992 sf of underground and submerged land, generally along the route depicted in Exhibit A

Term: 40 years, with a 2 year reduced rent construction period, and one 26 year PG&E option to renew

Pre-Paid Rent: \$14,820,258

Option Period Rent: Fair Market Value rent, paid either annually or prepaid (at PG&E's option), with rent determined by appraisal. If rent is prepaid for the 26 year option period, the FMV rent will be determined by appraisal, using the same formulas used to establish the initial rent, including an 8% capitalization rate and a discount rate set at the average of the Port's future taxable and tax-exempt bond interest rates.

OEWD Option: Transferable option to OEWD to purchase PG&E Hoedown Yard near Pier 70 (see Exhibit B) at \$63.67/sf for 130,600 sf of industrial land at Illinois and 22nd Street, totaling approximately \$8,315,302, subject to CPUC approval by Section 851 approval

Potrero Substation

Screen: Within 10 years after executing the ZA-1 License, the City may designate its preference ("Preferred Screen") for 1) enclosing the



Potrero Substation (see Exhibit A) in a building, or 2) surrounding a significant portion of the Potrero Substation with a perimeter screen. PG&E will use commercially reasonable efforts to obtain rate reimbursement and other approvals required for these improvements. The City may elect to utilize IFD proceeds from the Hoedown Yard or other nearby PG&E property to fund screening improvements not funded through utility rates.

Option to Acquire the Hoedown Yard

As a condition of the license, City staff has negotiated a transferable OEWD option to acquire the PG&E Hoedown Yard at Pier 70, which includes a portion of Irish Hill. A map of the Hoedown Yard is attached as Exhibit B. Current uses at the Hoedown Yard include parking, equipment storage, stockpiling and temporary storage of drilling mud, concrete, soil, sand, gravel and asphalt associated with PG&E utility projects. While these uses are important functions, they represent a fundamental land use conflict with the Port's planned development efforts at Pier 70. The Hoedown Yard is located at Illinois Street and 23rd Street. Port staff expects that 23rd Street will be a major entry to the Pier 70 Waterfront Site² and that relocation of the Hoedown Yard is a necessary step to attract private investment to the Waterfront Site (shown in Exhibit E).

The Original Term Sheet approved by the Port Commission contemplated that the Hoedown Yard purchase option would belong to the Port. After further consideration, Port staff concluded that it would be best for another City department to acquire the option under the agreement, because the Port should not utilize its proceeds to acquire non-trust property with the intention of developing it for non-trust purposes. OEWD agreed to take the option in the Port's stead.

The proposed OEWD option to purchase the Hoedown Yard is transferable, allowing the City to transfer this purchase right to another private entity. Since the Hoedown Yard is an asset of a regulated utility, PG&E's sale of the Hoedown Yard is subject to CPUC approval pursuant to Section 851 of the California Public Utilities Code.

Not unlike the surrounding Pier 70 area, the Hoedown Yard contains known contamination. PG&E has completed site investigation and a human health risk assessment. The findings of this assessment indicate that arsenic is present in soil within an approximately 20,000 sf (by approx. 5 ft. deep) area in the northwest corner of the site at concentrations that pose a potential human health risk to future construction workers (not to current or future commercial/industrial workers). All other contaminants investigated are at concentrations below levels of concern.

The San Francisco Bay Regional Water Quality Control Board ("Water Board") has approved these investigations and agrees that no remediation is warranted under

² On May 28, 2013, the Port Commission approved Resolution 13-20 endorsing a Term Sheet between the Port and Forest City Development California, Inc. ("Forest City") for the mixed-use development of the Pier 70 Waterfront Site, bordered generally by 20th Street, Michigan Street, 22nd Street, and the San Francisco Bay, shown in Exhibit E. The Term Sheet was subsequently endorsed by the Board of Supervisors on June 11, 2013.



current or anticipated future conditions, provided that activities at the site comply with a Site Management Plan ("SMP") and land use is restricted to commercial/industrial uses through a deed restriction.

PG&E has developed and Water Board has approved a SMP for the Hoedown Yard. The SMP specifies measures to protect workers, minimize dust, prevent contamination of stormwater, and other measures to manage potential risks from soil contamination. PG&E has also filed a deed restriction limiting future uses of the site to commercial and industrial uses.

Port environmental staff has reviewed the SMP and the deed restriction and has found that Hoedown Yard site conditions are suitable for future commercial or industrial use. If the City desires to acquire the site for residential purposes, further remedial actions (such as removal or capping of arsenic-contaminated soil) would likely be required, along with approval of the Water Board to lift the residential deed restriction. The Revised Term Sheet provides that PG&E will consent to lifting the residential deed restriction subject to the parties establishing a reasonable mechanism agreeable to the City and PG&E, to allocate risks of existing site conditions associated with residential development on the Hoedown Yard..

Subject to approval by the Board of Supervisors, OEWD intends to utilize any net proceeds between the purchase price and its sale price to a third-party developer based on its rezoned value as a source of funds for the Potrero Terrace and Annex HOPE VI project, a major priority of Mayor Ed Lee. For more information about this project, see <http://www.rebuildpotrero.com/>.

Pursuant to the Waterfront Site Term Sheet with Forest City, Forest City will include the Hoedown Yard in the proposed Special Use District for the Waterfront Site for purposes of rezoning and design for development controls. The SUD is expected to be ready for consideration by the Planning Commission and the Board of Supervisors by mid-2016, after environmental review of the Waterfront Site mixed use development is complete, which means that the Hoedown Yard would be rezoned and ready for sale to a third-party within that timeframe, subject to required regulatory approvals.

Based on preliminary analysis – subject to change depending on market factors and site specific development risks – Port staff estimates that the difference between the as-is purchase price of the Hoedown Yard and its future rezoned value for commercial office use is \$4-\$7 million. The City and Forest City will continue to examine the highest and best use of the Hoedown Yard during development of the SUD and associated environmental review.

Potrero Substation Screening

As evidenced by the Pier 70 Waterfront Site proposed development and evolving plans to redevelop the adjacent former Potrero Power Plant site, the Central Waterfront, south of Mission Bay and east of the I-280 freeway (the "Central Waterfront"), is undergoing a significant change of use from heavy industrial uses to mixed use areas that include continuing heavy industrial operations (such as the Pier 70 Shipyard). In most mixed



use areas of the City, PG&E has enclosed substations (such as the Larkin Substation or the Embarcadero Substation) which are more compatible with surrounding mixed use development than the current open air Potrero 115 kV Substation ("Potrero Substation"), located along Illinois Street between 22nd and 23rd Streets.

The Revised Term Sheet acknowledges that Plan Bay Area, the Bay Area's first combined Sustainable Communities Strategy as required under Senate Bill 375 (SB 375), focuses a significant amount of regional growth in its transit served cities, with almost 15% of that growth projected for San Francisco. The Central Waterfront area is a significant Priority Development Area where the City plans to accommodate this projected growth. City staff believe that development of the Central Waterfront will require substantial changes to the existing PG&E Potrero Substation to accommodate this planned growth.

As part of the public benefits of the ZA-1 Transmission Line, Port staff has also negotiated for PG&E to obtain the approvals for and construct screening (or otherwise enclose) the Potrero Substation, subject to review by the Waterfront Design Advisory Committee, environmental review pursuant to CEQA and other required approvals. As a condition to and additional consideration for the License, PG&E will either enclose a substantial portion of the existing Potrero Substation within a building or construct a screen around the perimeter of the Potrero Substation (either, a "Screen").

Potrero Substation Screening Approach and Approvals

Within 10 years after executing the ZA-1 license, the City may provide notice designating its preference ("Preferred Screen") for 1) enclosing the Potrero Substation in a building, or 2) surrounding a significant portion of the Potrero Substation with a perimeter screen.

- Following the notice of the City's Preferred Screen, PG&E will initiate applications for required regulatory approvals to construct the Preferred Screen, including applications required for rate-reimbursement and compliance with CEQA. The project description and conceptual design for the Preferred Screen will include architectural and aesthetic qualities consistent with PG&E's customary protocols for screening dense urban substation facilities.
- PG&E will (i) present to the Port's Waterfront Design Advisory Committee ("WDAC") PG&E's proposed design for the Preferred Screen, (ii) incorporate into its proposed Screen design WDAC's recommendations to the extent they would not materially adversely impact the operation of the Potrero Switchyard ("Revised Screen Design"), and (iii) obtain confirmation from WDAC that the Revised Screen Design has adequately addressed WDAC's prior recommendations.
- Following confirmation from WDAC that the Revised Screen Design has adequately addressed WDAC's prior recommendations, PG&E will use commercially reasonable efforts to (i) obtain any necessary governmental approvals to commence construction of the Revised Screen Design and (ii) obtain all other required approvals to commence construction of the Revised



Screen Design. Subject to force majeure events, or its failure to obtain required approvals, PG&E shall complete construction of the approved Revised Screen Design no later than five (5) years after the City presents the notice of its Preferred Screen.

Alternative Funding Approach to Potrero Substation Screen

The expense to screen the Potrero Substation is expected to be considerable, and this expense requires approval to be included in the utility rate base. If the Potrero Substation Screen cannot be funded with capital funding approved in the utility rate base, PG&E and the City will have to examine other potential funding mechanisms for this work.

To that end, the Revised Term Sheet provides for a potential infrastructure financing district ("IFD") mechanism to partially fund the City's Preferred Screen using future tax increment from the Hoedown Yard and/or the existing Potrero Substation. If the City forms a Pier 70 IFD project area that includes the Potrero Substation and the Hoedown Yard, the City will use good faith efforts, subject to applicable law and the sole and absolute discretion of the Board of Supervisors, to permit IFD proceeds from the Potrero Substation and the Hoedown Yard to finance improvements related to the Revised Screen Design that have no utility rate-based funding source. PG&E will not be subject to assessment in connection with the IFD.

Additional Public Benefits

City staff believes that the ZA-1 project provides critical transmission reliability benefits to the City, and that the OEWD option to acquire the Hoedown Yard and the PG&E obligation to pursue screening of the Potrero Substation are major public benefits of the proposed project.

The proposed License is subject to the Port's Southern Waterfront Community Benefits Policy. As such, Port staff will set aside 8% of project rents to the Southern Waterfront Community Benefit Fund ("Fund"), or \$665,224. The Fund is used to pay for open space and related public improvements in the Southern Waterfront.

Project Schedule

PG&E is pursuing the following Project schedule:

- | | |
|--------------------------------|-------------------------------|
| 1. Initiate CPUC Application | November 2012 |
| 2. CPUC CEQA Review | November 2012 – November 2013 |
| 3. Resource agency permits | December 2013 – January 2014 |
| 4. Onshore cable installation | December 2013 – May 2015 |
| 5. Offshore cable installation | May 2015 – November 2015 |
| 6. Operation | December 2015 |



Recommendation and Next Steps

Port staff recommends approval of the attached resolution which approves the Term Sheet and authorizes the Executive Director to enter into the Negotiation Agreement. If the Port Commission approves the resolution, Port staff proposes the following next steps:

- Negotiate a non-exclusive license for use of submerged Port land for the ZA-1 230 kV Embarcadero-Potrero Transmission Line with PG&E consistent with the Term Sheet;
- Continue to review environmental analysis conducted by the CPUC regarding routes that involve Port property, in consultation with other City departments (underway);
- Further evaluate the development potential of the Hoedown Yard, in consultation with the City's Pier 70 development partners;
- If the CPUC process determines that the submerged alternative is the preferred project alternative, submit for Port Commission and Board of Supervisors consideration a long-term license for construction and operation of the project.

Prepared by: Brad Benson, Special Project Manager

For: Monique Moyer, Executive Director
Tony Winnicker, Senior Advisor to Mayor
Ed Lee

Exhibits

- A. PG&E Route Alternatives for Proposed ZA-1 Project
- B. Hoedown Yard Map
- C. PG&E Embarcadero Substation Area Map
- D. Revised Term Sheet
- E. Pier 70 Waterfront Site Conceptual Land Use Plan





Substation

Submarine Alternative

Preferred Land Route

Alternative Land Route

San Francisco Port Jurisdiction

Laydown and Hoe Down Yards



Revision 11:
7/24/2012

Exhibit A - Project Location
Pacific Gas and Electric Company
Embarcadero-Potrero 230 kV
Transmission Cable Project

0 1,000 2,000 Feet



Scale: 1:18,000



ILLINOIS ST

22ND ST

MICHIGAN ST

20TH ST

BLOCK 4110
(LOT 008A)

PG&E HOE DOWN YARD

BLOCK 4120
(LOT 002)

116

115

114

113

14

101

102

122

104

123

0

105



--- PORT JURISDICTION LINE



WATERFRONT SITE

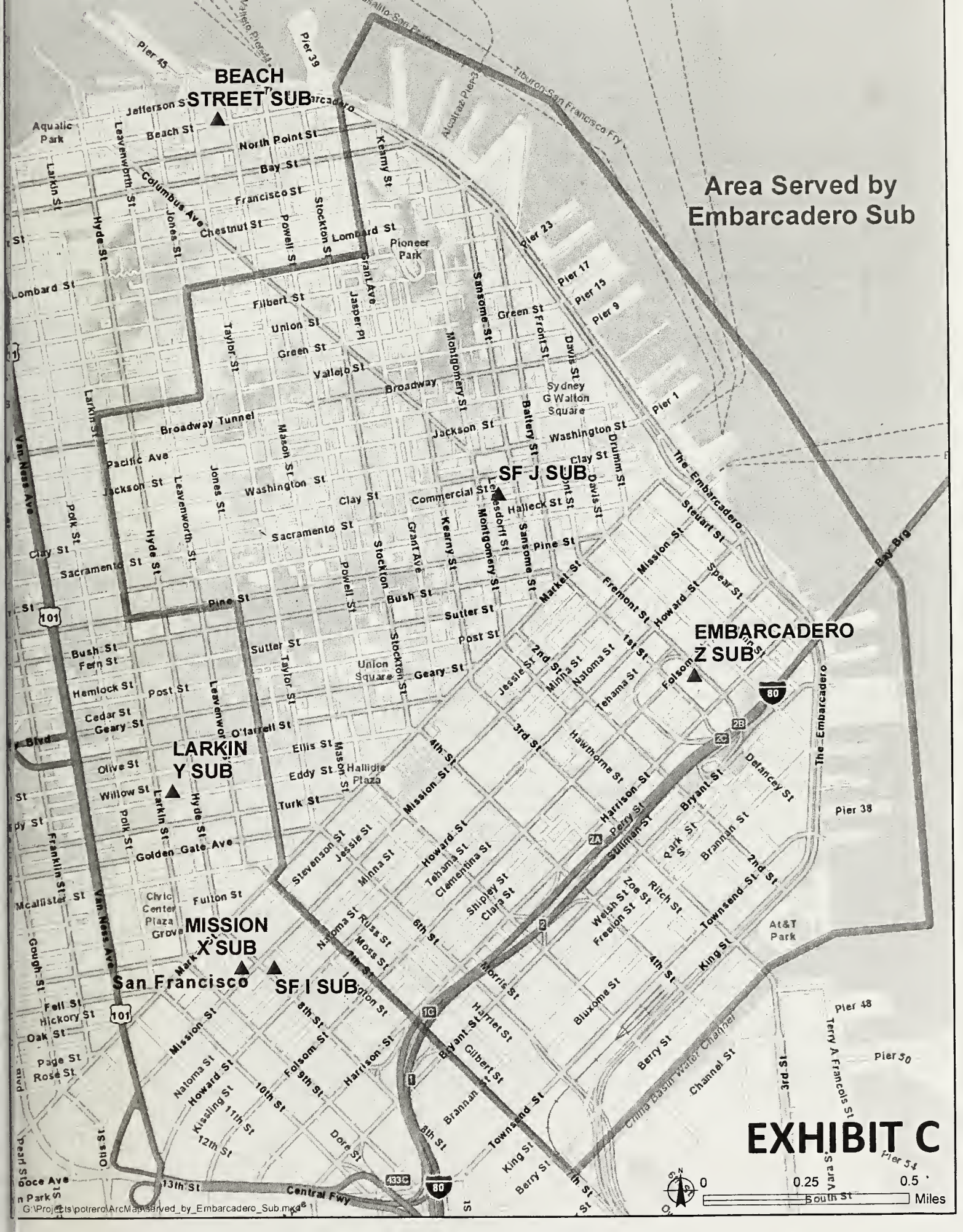
0 50 100 200 300 400 Feet

EXHIBIT B

PG&E HOE DOWN YARD

PORT OF SAN FRANCISCO





Area Served by
Embarcadero Sub

EMBARCADERO
Z SUB

LARKIN
Y SUB

MISSION
X SUB

SF J SUB

SF I SUB

EXHIBIT C

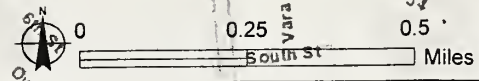




EXHIBIT D
TERM SHEET
PROPOSED TERMS FOR EMBARCADERO-POTRERO 230 KV TRANSMISSION PROJECT
PROPOSED OPTION TO PURCHASE THE HOEDOWN YARD
September 10, 2013

The following outline presents potential business terms for (i) one or more licenses (collectively, the "**License**") by THE CITY AND COUNTY OF SAN FRANCISCO (the "**City**") ACTING THROUGH THE SAN FRANCISCO PORT COMMISSION (the "**Port**") to PACIFIC GAS AND ELECTRIC COMPANY ("**PG&E**"), a subsidiary of PG&E Corporation, regarding a license (the "**License**") for the development and construction of the proposed Embarcadero-Potrero 230 KV Transmission Project (the "**Project**") and obligating PG&E to screen the Potrero Switchyard, and (ii) an agreement ("**Option Agreement**") between the City, acting through the OFFICE OF WORKFORCE AND DEVELOPMENT ("**OEWD**") and PG&E, granting OEWD an option to purchase the Hoedown Yard from PG&E.

This Term Sheet is not intended to be, and will not become, contractually binding unless and until environmental review has been completed in compliance with the California Environmental Quality Act and the parties are able and willing to execute and deliver a mutually acceptable License, Option Agreement, and related transaction documents. In addition, under San Francisco Charter, no officer or employee of the City has authority to commit the City to the transactions contemplated herein unless and until the San Francisco Port Commission has approved the transaction with respect to the Project and the San Francisco Board of Supervisors has approved the License and the Option Agreement.

SECTION AND TITLE	BASIC TERMS AND CONDITIONS
PROPOSED LICENSE TERMS	
1. LICENSEE:	Pacific Gas and Electric Company, a subsidiary of PG&E Corporation (" PG&E ")
2. PROJECT DESCRIPTION:	<p>New, single circuit, 230 kV transmission line between PG&E's Embarcadero Substation and its Potrero Substation (the "ZA-1 Line") to increase reliability of electric service to downtown San Francisco and provide operational flexibility. The project will involve both transmission line work and substation work. Three major elements are:</p> <ul style="list-style-type: none"> o Construct an approximately 3.5-mile, 230 kV submarine and underground cable route (for three cables) between PG&E's Embarcadero and Potrero Substations. o Terminate the new cables into a 230 kV bus (to be upgraded as part of a separate reliability project that is underway) at the Embarcadero Substation o Construct a new 230 kV switchyard on a portion of the former power plant site currently owned by GenOn Co adjacent to the Potrero Substation, terminate the new cable there, and interconnect the new 230 kV and existing 115 kV switchyards via two new 230/115 kV transformers.
3. SUBMARINE ROUTE:	The submarine cable route would run in a reinforced underground duct bank about 0.2 miles along the Trans Bay Cable (" TBC ") alignment, but not within the TBC license area, as it exits the Potrero Switchyard and enters the Bay. It



	<p>would then continue in the Bay along the general alignment and several hundred feet to the west of TBC, and then return to land about 0.4 miles from Embarcadero Substation, where it would be installed in a reinforced underground duct bank to the substation. Both landings from the Bay to land will be accomplished through horizontal directional drilling ("HDD").</p> <ul style="list-style-type: none"> o Total distance of Submarine Route: Approximately 2.8 miles including HDDs. o Total Distance within Bay: approximately 2.5 miles
4. REQUIRED PROJECT APPROVALS:	<p>California Public Utilities Commission ("CPUC"): Because PG&E is a regulated utility, the Project is subject to the review and approval of the CPUC ("CPUC Project Approval").</p> <p>CEQA: CPUC Project Approval will require the adoption, certification and/or approval by CPUC, as lead agency, of an environmental review document pursuant to the California Environmental Quality Act, California Public Resources Code Sections 21000-21178 ("CEQA").</p> <p>City: The Project may also require encroachment or other ministerial permits from the City and County of San Francisco Department of Public Works to install facilities for the Project within portions of City streets.</p> <p>Port. The Project may also require a Port Building Permit and encroachment permit or other ministerial permits for PG&E to install facilities within the properties and streets that are owned by Port and/or subject to Port jurisdiction.</p> <p>Other State Agencies: The Project may also require permits from the State Water Resources Control Board, San Francisco Bay Conservation and Development Commission, the Regional Water Quality Control Board, and other resource agencies.</p> <p>Army Corps: The Project may also require permits from the US Army Corps of Engineers ("USACE")</p>
5. PERMITTED USE:	<ul style="list-style-type: none"> o To install, maintain, operate, repair and replace, at Licensee's sole expense and risk, the ZA-1 Line, including, transmission line, ductwork, conduit, anchoring foundations and related equipment (collectively the "ZA-1 Line Equipment"), in the License Area (as defined below). o Licensee will have the right to access the areas owned and controlled by Port around and adjacent to the License Area for purposes of performing installation, maintenance, and replacement of the ZA-1 Line Equipment in the License Area. o Licensee will have the right to license with third parties, including any PG&E affiliates, for the unused capacity of the ZA-1 Line subject to valid license approvals as may be necessary from Port and the CPUC, which approval shall not be unreasonably conditioned, withheld or delayed. The parties agree that it will be reasonable for Port to withhold its approval if Port does not receive at least 50% of revenues received by PG&E for licensing any unused capacity of the ZA-1 Line.
6. LICENSE AREA:	<p>The License Area is generally as depicted in Exhibit A attached hereto; the description of the License Area will be more specifically determined and engineered and attached to the License. The License Area will be modified to</p>



	<p>construction is complete, and it will be further modified from time to time as necessary to show any significant movement in the ZA-1 Line Equipment. The License will allow for slight movement of the ZA-1 Line Equipment in accordance with its design. The License Area will include certain portions of Port-owned properties and streets. The area of the License Area will be as follows:</p> <p><u>Submarine section:</u> 33 feet (11 foot width for each cable) X 2.5 miles (13,200 ft.) = 435,600 sq. ft. This section will be divided into two zones: the inner "Exclusive Zone," which will be 6 feet wide (1 foot width on either side of the centerline of each cable) X 13,200 ft. = 79,200 sq. ft.; and the outer "Compatible Use Zone," which will be 27 feet wide (4.5 foot width extending beyond the Exclusive Zone on each side of each cable) X 13,200 ft. = 356,400 sq. ft.</p> <p><u>HDD portions:</u> 33 feet (11 foot width for each cable) X 0.3 miles (1,584 sq. ft.) = 52,272 sq. ft.</p> <p><u>23rd St:</u> 20 feet X 0.2 miles (1,056 sq. ft.) = 21,120 sq. ft.</p> <p>Total: 508,992 square feet</p>
7. COMMENCEMENT OF LICENSE TERM:	<p>Ninety (90) days following issuance by the CPUC of a Notice to Proceed with construction on Port jurisdictional land ("Commencement Date"). On or prior to the Commencement Date, PG&E shall deliver to Port(a) the Environmental Oversight Deposit, (b)if applicable, the Environmental Assurances Deposit; (c) the Security Deposit; and (d) the first installment of the Initial Term License Fee.</p>
8. TERM:	<p>40 years (the "Initial Term") with one option to renew for 26 years (the "Renewal Term").</p>
9. LICENSE FEE DURING INITIAL TERM:	<p>A one-time license fee for the Initial Term (the "Initial Term License Fee") will be paid in two installments. The first installment shall be due and payable to Port on or before the Commencement Date. The second installment shall be due and payable to Port upon and as a condition precedent to commencement of construction of the ZA-1 Line Equipment. Each installment shall be in the amount of 50% of the Initial Term License Fee. The Initial Term License Fee will be an amount equal to the present value as of the Commencement Date, discounted at 6.5%, of the following hypothetical stream of payments:</p> <p>A. An annual payment made on the Commencement Date and each anniversary of the Commencement Date, in an amount of equal to \$217,008.00 (based \$2.74/sq. ft.) for the Submarine Portion, Exclusive Zone ("Submarine Portion Exclusive Zone Basic Annual Pay Rate"). For informational purposes only, the Submarine Portion Exclusive Zone Basic Annual Pay Rate assumes \$68.50/sq. ft. upland industrial sale value x 50% for submerged land x 8% capitalization rate to develop an annual rent rate, rounded to the nearest \$0.01. The Submarine Portion Exclusive Zone Basic Annual Pay Rate will be deemed to be (a) increased by three percent (3%) for each full year between February 5, 2013 and the Commencement Date; and (b) decreased by 75% for each of the first two (2) years following the Commencement Date.</p> <p>PLUS</p> <p>B. An annual payment made on the Commencement Date and each</p>



	<p>anniversary of the Commencement Date, in an amount equal to \$488,268.00 (based on \$1.37/sq. ft.) for the Submarine Portion, Compatible Use Zone ("Submarine Portion Compatible Use Zone Basic Annual Pay Rate"). For informational purposes only, Submarine Portion Compatible Use Zone Basic Annual Pay Rate assumes \$68.50/sq. ft. upland industrial sale value x 25% for submerged land x 8% capitalization rate to develop an annual rent rate, rounded to the nearest \$0.01. The Submarine Portion Compatible Use Zone Basic Annual Pay Rate will be deemed to be (a) increased by three percent (3%) for each full year between February 5, 2013 and the Commencement Date; and (b) decreased by 75% for each of the first two (2) years following the Commencement Date.</p> <p>PLUS</p> <p>C. An annual payment made on the Commencement Date and each anniversary of the Commencement Date, in an amount equal to \$2,316.00 (based on \$0.031562/sq. ft.) for the HDD and 23rd Street Portion ("HDD/23rd Street Portion Basic Annual Pay Rate"). For informational purposes, HDD/23rd Street Portion Basic Annual Pay Rate is based on an aggregate 73,392 sq. ft. and an annual rate equal to the Hunters Point – Potrero License rate. The HDD/23rd Street Portion Basic Annual Pay Rate will be deemed to be (a) increased by three percent (3%) for each full year between February 5, 2013 and the Commencement Date; and (b) decreased by 75% for each of the first two (2) years following the Commencement Date.</p> <p>The Initial Term License Fee will be recalculated as of the Commencement Date in the manner set forth on <u>Exhibit C</u> attached hereto, taking into account the adjustments provided for in the final sentence of each of parts A, B and C above (the "Adjusted Initial Term License Fee Calculation").</p>
10. PARTIAL ABATEMENT OF INITIAL TERM LICENSE FEE DURING CONSTRUCTION PERIOD :	<p>The Initial Term License Fee reflects a seventy-five percent (75%) abatement for the construction of the ZA-1 Line Equipment from and after the Commencement Date until and including the date immediately prior to the 2nd anniversary of the Commencement Date.</p>
11. NOTICE OF EXERCISE OF RENEWAL OPTION:	<p>Licensee may exercise its right to renew the License Term subject to advance written request to renew no later than thirty (30) months prior to the expiration date.</p>
12. LICENSE FEE DURING RENEWAL TERM:	<p>During the Renewal Term, the license fee will be payable to Port on an annual basis or will be a one-time, lump sum payment of the license fee for the Renewal Term (in each case, the "Renewal Term License Fee") payable on the commencement of the Renewal Term (the "Renewal Term Commencement Date").</p> <p><u>One-Time Lump Sum Payment of Renewal Term License Fee</u></p> <p>If the Renewal Term License Fee is a one-time lump sum payment, such amount will equal the then present value as of the Renewal Term Commencement Date, discounted at 6.5%, of the following hypothetical stream of payments:</p> <p>A. An annual payment made (a) on the Renewal Term Commencement Date, in an amount ("Submarine Portion Exclusive Zone Renewal Term Basic Annual Pay Rate") equal to the higher of (1) 103% of the amount equal to the portion of the Initial License Fee attributable to the Submarine Portion</p>



	<p>Exclusive Zone for the 40th year of the Term, or (2) the Fair Market Rate of the Submarine Portion Exclusive Zone license area, and (b) on each anniversary of the Renewal Term Commencement Date in amount equal to 103% of the Submarine Portion Exclusive Zone Renewal Term Basic Annual Pay Rate attributable to the immediately prior year of the Renewal Term.</p> <p>PLUS</p> <p>B. An annual payment made (a) on the Renewal Term Commencement Date, in an amount ("Submarine Portion Compatible Use Zone Renewal Term Basic Annual Pay Rate") equal to the higher of (1) 103% of the amount equal to the portion of the Initial License Fee attributable to the Submarine Portion Compatible Use Zone for the 40th year of the Term, or (2) the Fair Market Rate of the Submarine Portion Compatible Use Zone license area, and (b) on each anniversary of the Renewal Term Commencement Date in amount equal to 103% of the Submarine Portion Compatible Use Zone Renewal Term Basic Annual Pay Rate attributable to the immediately prior year of the Renewal Term.</p> <p>PLUS</p> <p>C. An annual payment made (a) on the Renewal Term Commencement Date, in an amount ("HDD/23rd Street Renewal Term Basic Annual Pay Rate") equal to the higher of (1) 103% of the amount equal to the portion of the Initial License Fee attributable to the HDD/23rd Street for the 40th year of the Term, or (2) the Fair Market Rate of the HDD/23rd Street license area, and (b) on each anniversary of the Renewal Term Commencement Date in amount equal to 103% of the HDD/23rd Street Renewal Term Basic Annual Pay Rate due in the immediately prior year of the Renewal Term.</p> <p><u>Annual Payment of Renewal Term License Fee</u></p> <p>Within thirty (30) days following establishment of the Fair Market Rate for the Renewal Term, PG&E shall have the right to elect by written notice to Port to pay the Renewal Term License Fee in annual payments commencing on the Renewal Term Commencement Date and each anniversary date thereafter. The annual Renewal Term License Fee will initially be an amount equal to the sum of the Submarine Portion Exclusive Zone Renewal Term Basic Annual Pay Rate, the Submarine Portion Compatible Use Zone Renewal Term Basic Annual Pay Rate and the HDD/23rd Street Renewal Term Basic Annual Pay Rate, which annual amount shall be increased 3% on each anniversary of the Renewal Term Commencement Date.</p>
13. FAIR MARKET RATE:	<p>Fair Market Rate means the license fee that results from the application of the methodology used to establish the Initial Term License Fee, except (a) the then current upland industrial land value shall be established by an independent third-party appraisal based upon appraisal instructions substantially similar in form to the appraisal instructions used in the appraisal for the Initial Term License Fee.</p>
14. LICENSEE TERMINATION RIGHT:	<p>PG&E must provide no less than 18 months' notice. If the termination is effective during the Initial Term, Port will retain the Initial Term License Fee. If the termination is effective during the Renewal Term, and (i) PG&E has elected to pay the Renewal Term License Fee annually, such termination notice will be delivered together with a termination payment equal to the Renewal Term License Fee for the 12 months following the date of notice, or (ii) if PG&E paid</p>

	a one time Renewal Term License Fee, Port will retain the Renewal Term License Fee. If any termination notice is revoked by PG&E during the Renewal Term and PG&E elected to pay the Renewal Term License Fee annually, the termination payment will be applied to the next annual payment of the Renewal Term License Fee.
15. SECURITY DEPOSIT:	An amount equal to 1/6 th of the portion of the License Fee attributable to the 40 th year of the Term, payable upon the Commencement Date.
16. ENVIRONMENTAL OVERSIGHT DEPOSIT:	\$10,000 payable upon Commencement Date, to be used to reimburse Port for Port's costs of monitoring compliance with the License and on terms similar to Section 8.2 of the Operational License No. 14325 between Port and Trans Bay Cable. Every fifth year of the License Term, the amount of the Environmental Oversight Deposit will be increased by 15%. Any remainder of the Environmental Oversight Deposit shall be returned to PG&E at the conclusion of the License Term, including any Renewal Term.
17. ENVIRONMENTAL ASSURANCES DEPOSIT:	Port may require PG&E to deposit additional sums to offset Port's liability for potential environmental damages as a result of the proposed license. The sums may be in the form of cash or letter of credit. The additional amount will not exceed \$6 million and the application and release of the same will be similar to the procedures outlined in the Construction License No. 14324 between Port and Trans Bay Cable LLC.
18. MAINTENANCE:	Licensee shall install, maintain and operate the ZA-1 Line Equipment in the License Area at all times in compliance with all applicable legal requirements. Without limiting the generality of the previous sentence, the ZA-1 Line Equipment in the License Area shall comply with all applicable safety standards, as modified from time to time, of any governing body with jurisdiction over Licensee's operations.
19. RISK MANAGEMENT:	The License will include City's customary insurance and indemnification provisions.
20. NON EXCLUSIVE USE:	<p>The License will not be exclusive; Port will reserve the right to grant other licenses or easements of similar or any other nature, provided, however that:</p> <ul style="list-style-type: none"> o In the water area between Piers 30-32 and Pier 28, PG&E shall construct the cable so that it lies at least 50' below mean high water for the entire length of the piers. o In the Exclusive Zone of the Submarine Section, Port shall not license, lease or otherwise permit in writing any uses that would penetrate the surface and/or that, in PG&E opinion based upon accepted engineering practices could reasonably be expected to jeopardize the integrity or reliability of the ZA-1 Line Equipment. o In the Compatible Use Zone of the Submarine Section, Port shall not license, lease or otherwise permit in writing any other underground electric lines. o With respect to the HDDs, Port shall not license, lease or otherwise permit in writing construction of solder piles, piers, pilings, foundations, or other permanent improvements within the License Area. o Lateral crossings of the License Area must be approved by PG&E in its sole discretion, which approval shall not be unreasonably withheld. In the

	<p>Submarine Section, if such crossings are permitted, Port shall require that such crossings be no closer than five vertical feet from the ZA-1 Line Equipment, that the equipment crossing the License Area be equipped with thermal and mechanical protection, and that the license for the crossing infrastructure ensure that PG&E's ability to access, maintain, replace, and raise the ZA-1 equipment is not impeded.</p> <p>o Other than dredging routinely performed by or on behalf of the USACE or dredging otherwise planned by the USACE, or as necessary to provide dredge depths of forty feet (40') in the area north and east of Piers 30-32, Port shall not enter into any written agreements permitting any dredging in the Submarine Section of the License Area. Within the HDD portions of the License Area, Port may be permitted to dredge up to a depth of forty feet (40') below mean lower low water in the HDD portions of the License Area if Port reasonably determines dredging to such depth is required to support or advance maritime operations and use within Port jurisdiction, provided that in no event shall Port dredge within five (5) vertical feet of the HDD conduits. PG&E to make commercially-reasonable and technically feasible efforts to put the HDD as near to the bedrock surface as possible, and Port, in its proprietary capacity, to have an opportunity to review and approve, to the extent consistent with CPUC Project Approval and other CPUC requirements, final work plans for the HDDs, which approvals shall be limited to confirming that such plans are consistent with the requirements of the License, as described above. Additionally, this section is subject to consultation with USACE to the extent there is any potential impact on federal shipping channels or other dredging routinely performed by or on behalf of USACE.</p> <p>o Port and PG&E will further refine the no anchoring of vessels area within the License Area. PG&E shall take all necessary measures within its control to ensure that the License Area is depicted on all official navigation maps as a "no anchoring" area.</p>
21. REMOVAL/RELOCATION OF THE ZA-1 LINE EQUIPMENT IN THE LICENSE AREA.	<p>PG&E to remove or relocate without expense to Port or the City the ZA-1 Line Equipment within [36 months or such longer time as reasonably necessary with due diligence, subject to force majeure] after receipt of written notice from Port or the City, if and when made necessary by any lawful change of grade, alignment or width of any street or right of way, or by any work to be performed under the governmental authority of Port or the City. If</p> <p>(a) applicable law prohibits the relocation of the ZA-1 Line Equipment, or</p> <p>(b) the required relocation would render the ZA-1 Line Equipment permanently unusable and thereby defeat the purpose of the License, or</p> <p>(c) despite PG&E's good faith efforts, a regulatory agency, including CPUC, prohibits PG&E from removing or relocating the ZA-1 Line Equipment, or</p> <p>(d) the City or Port can reasonably redesign or reroute such work at significantly less cost than the cost to PG&E to relocate or remove the ZA-1 Line Equipment, Port and PG&E agree to negotiate in good faith to allow for the City or Port to proceed in an alternative manner acceptable to all parties, as evidenced by a writing signed by PG&E and the City or Port, as applicable, conditioned on PG&E bearing all commercially reasonable incremental costs of the alternative (where incremental means the difference between the original conflicting design and the alternative design). After receipt of a notice requesting relocation/removal of the ZA-1 Line Equipment, PG&E and the City will use commercially reasonable and technically feasible efforts to facilitate the City's design and engineering of any City or Port project requiring such</p>

	notice to PG&E to minimize time and expense to both parties.
<u>PROPOSED TERMS FOR SCREENING OF POTRERO SWITCHYARD</u>	
22. SCREENING OF POTRERO SWITCHYARD:	<p>Plan Bay Area, the Bay Area's first combined Sustainable Communities Strategy as required under Senate Bill 375 (SB 375), focuses a significant amount of regional growth in its transit served cities, with almost 15% of that growth projected for San Francisco. The Central Waterfront area, south of Mission Bay and east of the I-280 freeway (the "Central Waterfront"), is a significant Priority Development Area where the City plans to accommodate this projected growth. A significant portion of this growth is planned for current and former industrial lands in the immediate vicinity of the existing PG&E Potrero 115 kV Substation ("Potrero Substation"), located along Illinois Street between 22nd and 23rd Streets.</p> <p>As a condition to and additional consideration for the License and provided the City issues the written notice described further in this subsection, PG&E will either enclose a substantial portion of the existing Potrero Substation within a building or construct a screen around the perimeter of the Potrero Substation (either, a "Screen"), in accordance with the following terms.</p> <ol style="list-style-type: none"> 1. Any time within 10 years after the execution of the License by the parties, the City may provide notice ("Designation Notice") designating its preference ("Preferred Screen") for (1) enclosing the Potrero Substation in a building, or (2) surrounding a significant portion of the Potrero Substation with a perimeter screen. <ol style="list-style-type: none"> A. Following the Designation Notice, PG&E will initiate applications for required regulatory approvals, if any, to construct the Preferred Screen, including applications required for rate-reimbursement. The project description and conceptual design for the Preferred Screen will include architectural and aesthetic qualities consistent with PG&E's customary protocols for screening substation facilities in dense urban areas. B. PG&E will (i) present to the Port's Waterfront Design Advisory Committee ("WDAC") PG&E's proposed design for the Preferred Screen, (ii) incorporate into its proposed Screen design any WDAC's recommendations (which PG&E acknowledges may reflect the WDAC's and the City's desire and intention to accommodate projected growth within the City's Central Waterfront area, south of Mission Bay and east of the I-280 freeway), to the extent such recommendations would not materially adversely impact the operation of the Potrero Switchyard ("Revised Screen Design"), and (iii) obtain confirmation from WDAC that the Revised Screen Design has adequately addressed WDAC's prior recommendations. C. Following confirmation from WDAC that the Revised Screen Design has adequately addressed WDAC's prior recommendations, PG&E will use commercially reasonable efforts to (i) obtain any necessary governmental approvals to commence construction of the Revised Screen Design and (ii) obtain all other required approvals to commence construction of the Revised Screen Design. Subject to force majeure events, PG&E shall complete construction of the approved Revised Screen Design no later than five (5) years after its receipt of the Designation Notice. <p>Force majeure events are events beyond the delayed party's reasonable control that prevent the action that is being delayed and include, without</p>

	<p>limitation, (i) regulatory or governmental delays so long as is PG&E is diligently proceeding to obtain the necessary regulatory approvals and/or (ii) litigation brought by a third party that challenges the validity of any action taken by the City, CPUC, or any other regulatory agency in connection with the Preferred Screen, or the failure of the City, CPUC, or any other regulatory agency to impose conditions to a regulatory approval or the validity of any other regulatory approval of the City, CPUC, , or any other regulatory agency required in connection with the construction of the Preferred Screen.</p> <p>2. If the City forms a Pier 70 project area that includes a subarea that includes any property that is no longer needed for the Potrero Substation and the Hoedown Yard and adopts an infrastructure financing district ("IFD") for the Pier 70 project area, the City shall use its good faith efforts, subject to applicable law (including, without limitation, the sole and absolute discretion of the Board of Supervisors to vote with respect to formation of the IFD and financings relating thereto), to cause the IFD to be formed and financed in a manner that would permit the City to utilize IFD proceeds to finance improvements related to the Revised Screen Design that have no utility rate-based funding source. PG&E will not be subject to assessment in connection with the IFD.</p>
<u>PROPOSED TERMS FOR OPTION TO PURCHASE HOEDOWN YARD</u>	
23. OPTION TO PURCHASE HOEDOWN YARD:	PG&E grants the City, through OEWD, an option (the " Option ") to purchase PG&E's Hoedown Yard, located at the corner of 22nd and Illinois Streets, as described on Exhibit B attached hereto (the " Hoedown Yard "). The Option may be transferred or assigned to another party in the City's sole discretion, without payment of any fees or other consideration to PG&E.
PURCHASE PRICE:	<p>The purchase price for the Hoedown Yard (the "HDY Purchase Price") will be determined by multiplying the total square foot of the Hoedown Yard (approximately 3.00 acres or approximately 130,720 square feet) by \$63.67. The \$63.67 price per square foot of land was agreed to between the City and PG&E based on the values established in the appraisals obtained by each of the City and PG&E. The HDY Purchase Price will be established based on the actual square footage of the Hoedown Yard.</p> <p>The HDY Purchase Price is not subject to change, irrespective of any re-zoning of the Hoedown Yard or when actual title to the Hoedown Yard is transferred to the City.</p>
OPTION PERIOD:	The Option may be exercised at any time prior to December 31, 2019.
SECTION 851 ORDER:	The sale by PG&E of the Hoedown Yard is subject to CPUC approval pursuant to Section 851 of the California Public Utilities Code (the " 851 Order "). Prior to exercising the Option, the City may give notice to PG&E that it intends to exercise the Option (" Notice of Intention "). Following receipt of the Notice of Intention, PG&E will request CPUC issue the 851 Order. The City, in its sole discretion, may elect not to formally exercise the Option until CPUC issues the 851 Order.
PG&E'S CONDITIONS TO CLOSING:	Upon City's exercise of the Option, the City's acquisition may be completed within five (5) years following the last to occur of the following conditions

	<p>precedent to PG&E's obligation to sell Hoedown Yard ("PG&E's Closing Conditions"), which following exercise of the Option by the City, PG&E shall use its reasonable good faith efforts to satisfy:</p> <ul style="list-style-type: none"> • <u>Section 851 Order</u>: CPUC shall have issued the 851 Order. • <u>CEQA</u>: <ul style="list-style-type: none"> --If required for the CPUC Section 851 Order, the adoption, certification and/or approval by CPUC, as lead agency, of an environmental review pursuant to CEQA in connection with the sale of the Hoedown Yard. --While the Option Agreement is subject to the foregoing, PG&E and the OEWD agree that the use by the City/OEWD for the Hoedown Yard property has not yet been determined and approved by the City. Accordingly, the sale of the Hoedown Yard property to the City would be an action that is exempt from environmental review under CEQA, pursuant to CEQA Guidelines Section 15262. • <u>Regulatory Closure</u>: Closure of PG&E's Hoedown Yard facilities in accordance with all applicable laws, rule and regulations. • <u>Other Regulatory Approvals</u>: Seller shall have obtained all other regulatory approvals required in connection with the disposition of Hoedown Yard to the City, including, if applicable, from FERC.
CLOSING COSTS:	<p>Upon its acquisition the Hoedown Yard, the City shall receive a title policy insuring title vested in the City. PG&E shall pay (a) the premium for a CLTA Owner's Policy of Title Insurance, (b) all transfer and sales taxes, (c) one-half of the escrow fees, and (d) the fees and expenses of its attorneys and other consultants.</p> <p>OEWD shall pay (a) one-half of the escrow fees, (b) all other title costs, including any sum over the cost of the CLTA policy to obtain the ALTA Owner's Policy or ALTA survey, and (c) the fees and expenses of its attorneys and other consultants.</p>
RE-ENTITLEMENT:	<p>Prior to the transfer of title of the Hoedown Yard to the City, the City or another party approved by the City, may re-zone and entitle the Hoedown Yard for a different use or category, including for residential use. In connection with such efforts, PG&E shall reasonably cooperate with the City's efforts and expressly consents to lifting the restrictions on residential use at the Hoedown Yard, subject to the conditions herein. Such cooperation will include, without limitation, no later than thirty (30) days following City's written request, PG&E will deliver written notice to the City, and the Planning Department, authorizing City, another party approved by the City, and any developer of the Pier 70 waterfront site to pursue re-zoning the Hoedown Yard, provided such rezoning and or entitlement change (a) does not become effective unless and until the Hoedown Yard is actually acquired pursuant to the Option, and (b) does not impose any cost or condition on PG&E (other than PG&E consenting to and taking necessary actions to lift the restrictions on residential use at the Hoedown Yard).</p> <p>Notwithstanding the foregoing, PG&E's agreement to lift the restrictions on residential use at the Hoedown Yard is subject to the parties establishing a mechanism reasonably agreeable to each party, to allocate risks associated</p>

	with residential development on the Hoedown Yard based on the existing site conditions.
FURTHER REFINEMENT:	The terms and conditions of the Option will be further refined in a separate Option Agreement reasonably acceptable to OEWD and PG&E. The parties acknowledge that many of the matters described herein with respect to the License, the Screen, the Option Agreement, and related matters are technical in nature and still under internal review by the parties and accordingly, are subject to further refinement and/or modification in the negotiation of the License, Option Agreement and related documents. The Option Agreement and the License will be submitted concurrently for Board of Supervisors approval.

- Exhibit A: Aerial Depiction of License Area
- Exhibit B: Description and Site Map of Hoedown Yard
- Exhibit C: Example of Net Present Value Calculation of License Fee

Exhibit A: Aerial Depiction of License Area

Protected Materials Submitted Pursuant to PUC Section 583

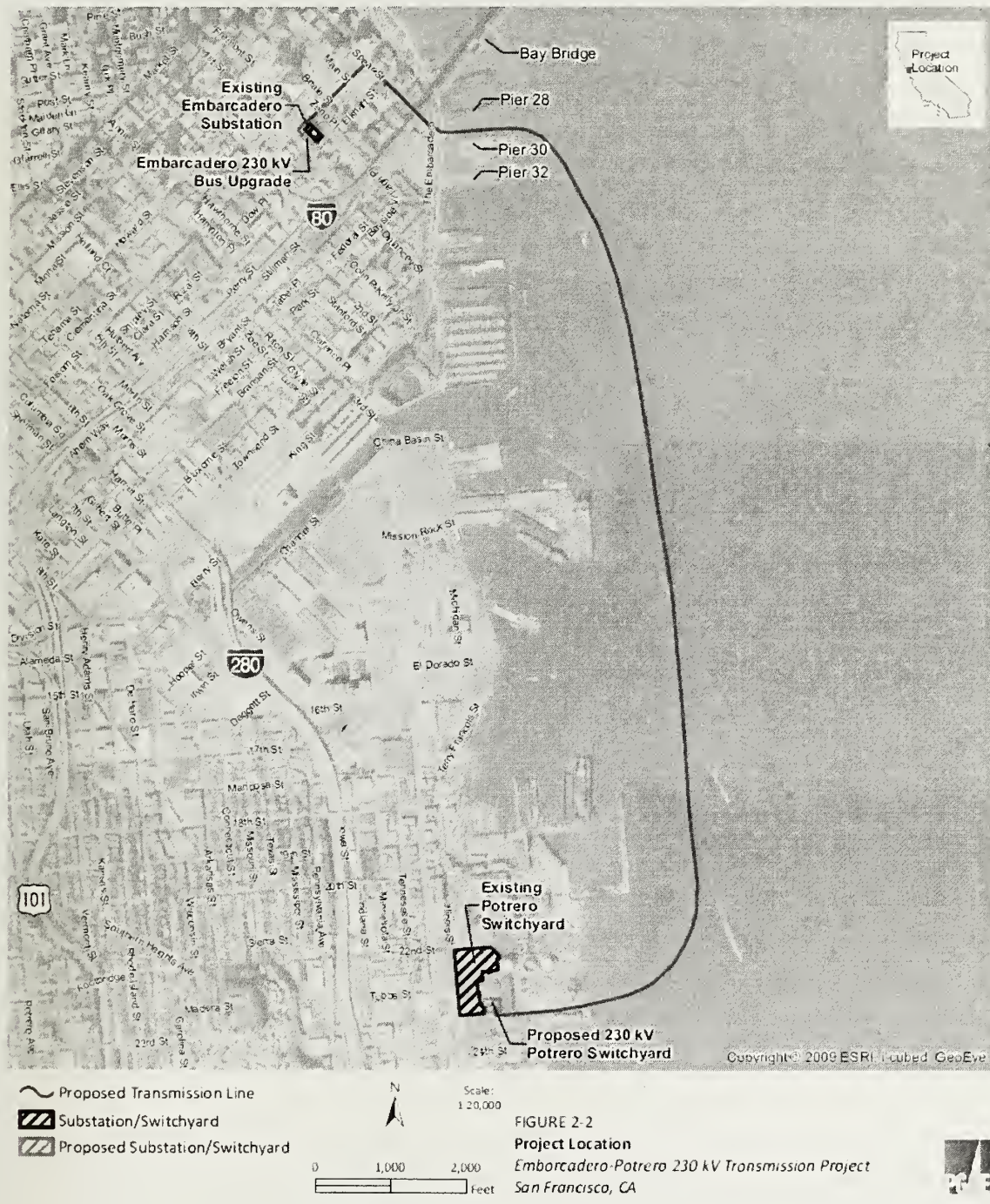


Exhibit B

Description and Site Map of Hoedown Yard

The "Hoedown Yard" consists of San Francisco County Assessor's Parcel Numbers 4110-008A and 4120-002; located at the northeast corner of 22nd St. and Illinois St., San Francisco, CA; containing a total area of 3.0 acres

[Need to include Site Map/Parcel Map]

Exhibit C: Example of Net Present Value Calculation of License Fee

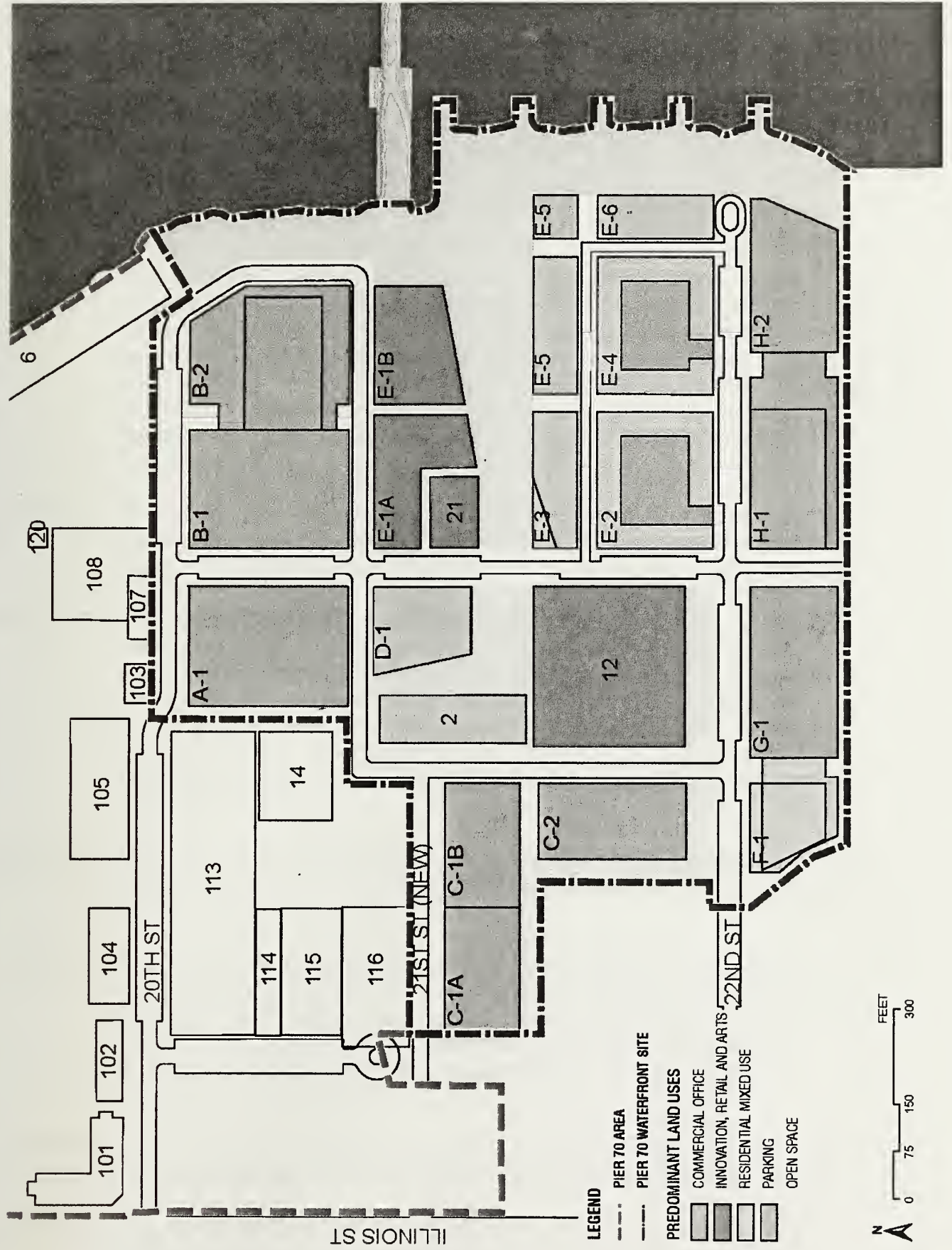
Annual Escalation Rate – 3.0%
 Land Capitalization Rate – 8.0%
 Discount Rate – 6.5%
 Exclusive Zone (sq ft) – 79,200
 Compatible Use Zone (sq ft) – 356,400
 HDD Zone (sq ft) – 52,272
 23rd Street Zone (sq ft) – 21,120

NPV of Payments: \$14,820,258.95

Year	Payment Date	Exclusive Rate	Exclusive Zone Pmt	Compatible Use Rate	Compatible Zone Pmt	HDD/23rd St Rate	HDD/23rd St Zone Pmt	Total Pmt
1	1/1/14	\$2.74	\$217,008.00	\$1.37	\$488,268.00	\$0.03	\$2,316.40	\$176,898.10
2	1/1/15	\$2.82	\$223,518.24	\$1.41	\$502,916.04	\$0.03	\$2,385.89	\$182,205.04
3	1/1/16	\$2.91	\$230,223.79	\$1.45	\$518,003.52	\$0.03	\$2,457.47	\$750,684.78
4	1/1/17	\$2.99	\$237,130.50	\$1.50	\$533,543.63	\$0.03	\$2,531.19	\$773,205.32
5	1/1/18	\$3.08	\$244,244.42	\$1.54	\$549,549.94	\$0.04	\$2,607.13	\$796,401.48
6	1/1/19	\$3.18	\$251,571.75	\$1.59	\$566,036.43	\$0.04	\$2,685.34	\$820,293.52
7	1/1/20	\$3.27	\$259,118.90	\$1.64	\$583,017.53	\$0.04	\$2,765.90	\$844,902.33
8	1/1/21	\$3.37	\$266,892.47	\$1.68	\$600,508.05	\$0.04	\$2,848.88	\$870,249.40
9	1/1/22	\$3.47	\$274,899.24	\$1.74	\$618,523.29	\$0.04	\$2,934.34	\$896,356.88
10	1/1/23	\$3.58	\$283,146.22	\$1.79	\$637,078.99	\$0.04	\$3,022.37	\$923,247.59
11	1/1/24	\$3.68	\$291,640.61	\$1.84	\$656,191.36	\$0.04	\$3,113.05	\$950,945.01
12	1/1/25	\$3.79	\$300,389.82	\$1.90	\$675,877.10	\$0.04	\$3,206.44	\$979,473.36
13	1/1/26	\$3.91	\$309,401.52	\$1.95	\$696,153.42	\$0.04	\$3,302.63	\$1,008,857.57
14	1/1/27	\$4.02	\$318,683.56	\$2.01	\$717,038.02	\$0.05	\$3,401.71	\$1,039,123.29
15	1/1/28	\$4.14	\$328,244.07	\$2.07	\$738,549.16	\$0.05	\$3,503.76	\$1,070,296.99
16	1/1/29	\$4.27	\$338,091.39	\$2.13	\$760,705.63	\$0.05	\$3,608.87	\$1,102,405.90
17	1/1/30	\$4.40	\$348,234.13	\$2.20	\$783,526.80	\$0.05	\$3,717.14	\$1,135,478.08
18	1/1/31	\$4.53	\$358,681.16	\$2.26	\$807,032.61	\$0.05	\$3,828.65	\$1,169,542.42
19	1/1/32	\$4.66	\$369,441.59	\$2.33	\$831,243.59	\$0.05	\$3,943.51	\$1,204,628.69

20	1/1/33	\$4.80	\$380,524.84	\$2.40	\$856,180.89	\$0.06	\$4,061.82	\$1,240,767.55
21	1/1/34	\$4.95	\$391,940.59	\$2.47	\$881,866.32	\$0.06	\$4,183.67	\$1,277,990.58
22	1/1/35	\$5.10	\$403,698.80	\$2.55	\$908,322.31	\$0.06	\$4,309.18	\$1,316,330.30
23	1/1/36	\$5.25	\$415,809.77	\$2.63	\$935,571.98	\$0.06	\$4,438.46	\$1,355,820.21
24	1/1/37	\$5.41	\$428,284.06	\$2.70	\$963,639.14	\$0.06	\$4,571.61	\$1,396,494.81
25	1/1/38	\$5.57	\$441,132.58	\$2.78	\$992,548.31	\$0.06	\$4,708.76	\$1,438,389.66
26	1/1/39	\$5.74	\$454,366.56	\$2.87	\$1,022,324.76	\$0.07	\$4,850.02	\$1,481,541.35
27	1/1/40	\$5.91	\$467,997.56	\$2.95	\$1,052,994.51	\$0.07	\$4,995.52	\$1,525,987.59
28	1/1/41	\$6.09	\$482,037.48	\$3.04	\$1,084,584.34	\$0.07	\$5,145.39	\$1,571,767.21
29	1/1/42	\$6.27	\$496,498.61	\$3.13	\$1,117,121.87	\$0.07	\$5,299.75	\$1,618,920.23
30	1/1/43	\$6.46	\$511,393.57	\$3.23	\$1,150,635.53	\$0.07	\$5,458.74	\$1,667,487.84
31	1/1/44	\$6.65	\$526,735.37	\$3.33	\$1,185,154.59	\$0.08	\$5,622.51	\$1,717,512.47
32	1/1/45	\$6.85	\$542,537.44	\$3.43	\$1,220,709.23	\$0.08	\$5,791.18	\$1,769,037.85
33	1/1/46	\$7.06	\$558,813.56	\$3.53	\$1,257,330.51	\$0.08	\$5,964.92	\$1,822,108.98
34	1/1/47	\$7.27	\$575,577.97	\$3.63	\$1,295,050.42	\$0.08	\$6,143.86	\$1,876,772.25
35	1/1/48	\$7.49	\$592,845.30	\$3.74	\$1,333,901.93	\$0.09	\$6,328.18	\$1,933,075.42
36	1/1/49	\$7.71	\$610,630.66	\$3.85	\$1,373,918.99	\$0.09	\$6,518.03	\$1,991,067.68
37	1/1/50	\$7.94	\$628,949.58	\$3.97	\$1,415,136.56	\$0.09	\$6,713.57	\$2,050,799.71
38	1/1/51	\$8.18	\$647,818.07	\$4.09	\$1,457,590.66	\$0.09	\$6,914.97	\$2,112,323.70
39	1/1/52	\$8.42	\$667,252.61	\$4.21	\$1,501,318.38	\$0.10	\$7,122.42	\$2,175,693.42
40	1/1/53	\$8.68	\$687,270.19	\$4.34	\$1,546,357.93	\$0.10	\$7,336.10	\$2,240,964.22

Exhibit E: Pier 70 Waterfront Site Conceptual Land Use Plan



**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 13-34**

- WHEREAS, California Statutes of 1968, Chapter 1333 (the "Burton Act") and the San Francisco Charter Section B3.581 empower the San Francisco Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the lands within Port Commission jurisdiction; and
- WHEREAS, Pacific Gas & Electric ("PG&E") proposes to construct a new, single circuit, 230 kV transmission line between its Embarcadero Substation and its Potrero Substation, along onshore and submerged land in the Port's jurisdiction generally within the area bounded by Pier 28 ½ and portions of the shoreline at the foot of 23rd Street (the "Project"), to increase reliability of electric service to downtown San Francisco and provide operational flexibility, as further described in the staff report accompanying this resolution; and
- WHEREAS, At the Port Commission's August 14, 2012 meeting, an informational presentation about the Project was made by Port staff and Port staff was directed to negotiate a term sheet for use of Port lands for the Project; and
- WHEREAS, At its November 13, 2012 meeting, the Port Commission approved Resolution 12-90, endorsing the ZA-1 Embarcadero-Potrero 230kV Transmission Project Term Sheet ("Original Term Sheet") between the Port and PG&E and authorizing Port staff to enter into a Negotiation Agreement with PG&E, related to onshore and submerged Port land between Pier 28 ½ and the foot of 23rd Street and PG&E parcels Block 4110 (Lot 008A) and Block 4120 (Lot 002), commonly known as the "Hoedown Yard"; and
- WHEREAS, Port staff and City staff have negotiated revised terms to the Original Term Sheet, as described in both the staff report and Exhibit C accompanying this resolution ("Revised Term Sheet"); and
- WHEREAS, Port staff and PG&E have also negotiated the terms of a negotiation agreement ("Negotiation Agreement") on file with the Port Commission Secretary, which among other things, provides for reimbursement by PG&E to Port of Port's costs associated with the Project, as further described in the staff report accompanying this resolution and the Negotiation Agreement; and
- WHEREAS, Because PG&E is a regulated utility, the Project is subject to the review and approval of the California Public Utilities Commission ("CPUC"); and
- WHEREAS, The parties acknowledge that the Revised Term Sheet is not itself a binding agreement that commits the Port or PG&E to proceed with the approval or implementation of the Project and that the Project will first

undergo appropriate environmental review under the California Environmental Quality Act ("CEQA") and will be subject to public review in accordance with the processes of the Port Commission, other City departments and offices, the CPUC, and other government agencies with approval rights over the Project before any entitlements and other regulatory approvals required for the Project will be considered; now therefor be it

RESOLVED, That the Port Commission hereby rescinds Resolution 12-90 and its prior endorsement of the Original Term Sheet; and, be it further

RESOLVED, That the Port Commission hereby endorses the Revised Term Sheet and the Negotiation Agreement and authorizes and directs the Executive Director of the Port, or her designee, to execute the Negotiation Agreement and present the Revised Term Sheet to the Board of Supervisors for its endorsement; and, be it further

RESOLVED, That provided the Board of Supervisors endorses the Revised Term Sheet, the Port Commission authorizes the Executive Director to work with PG&E to negotiate the terms and conditions of any license and related documents (collectively, "Transaction Documents") for use of Port lands for the Project based on the terms of the Revised Term Sheet, with the understanding that the final terms and conditions of the Transaction Documents negotiated between Port staff and PG&E will be subject to the approval of the Port Commission and as applicable, the Board of Supervisors and the Mayor; and, be it further

RESOLVED, That the Port Commission authorizes the Executive Director to enter into any additions, amendments or other modifications to the Negotiation Agreement that the Executive Director, in consultation with the City Attorney, determines are in the best interests of the City, do not materially decrease the benefits or otherwise materially increase the obligations or liabilities of the City or Port, and are necessary or advisable to complete the transactions which the Revised Term Sheet and the Negotiation Agreement contemplate and effectuate the purpose and intent of this resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director of such additions, amendments or other modifications to the Negotiation Agreement; and be it further

RESOLVED, That endorsement of the Revised Term Sheet and entering into the Negotiation Agreement does not commit the Port Commission or the City to approve final Transaction Documents or implementation of the Project or grant any entitlements to PG&E, nor does endorsing the Revised Term Sheet or executing the Negotiation Agreement foreclose the possibility of considering alternatives to the proposal, mitigation measures or deciding not to grant entitlement or approve or implement the Project, after conducting appropriate environmental review under CEQA, and while the Revised Term Sheet identifies certain essential terms of a proposed

transaction with the Port, it does not necessarily set forth all of the material terms and conditions of any final transaction documents; and, be it further

RESOLVED, That the Port Commission will not take any discretionary actions committing the Port to implement the Project, and the provisions of the Revised Term Sheet are not intended and will not become contractually binding on the Port unless and until the relevant bodies have reviewed and considered environmental documentation prepared in compliance with the CEQA for the Project and the Port Commission, and as applicable, the Board of Supervisors and the Mayor, have approved final Transaction Documents for the Project.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of September 10, 2013.

Secretary



SAN FRANCISCO PORT COMMISSION

**SEPTEMBER 10, 2013
MINUTES OF THE MEETING**

GOVERNMENT
DOCUMENTS DEPT

SEP 20 2013

SAN FRANCISCO
PUBLIC LIBRARY

MEMBERS, PORT COMMISSION
HON. DOREEN WOO HO, PRESIDENT
HON. KIMBERLY BRANDON, VICE PRESIDENT
HON. WILLIE ADAMS
HON. LESLIE KATZ
HON. MEL MURPHY

MONIQUE MOYER, EXECUTIVE DIRECTOR
AMY QUESADA, COMMISSION SECRETARY

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE MEETING SEPTEMBER 10, 2013

1. CALL TO ORDER / ROLL CALL

Port Commission President Doreen Woo Ho called the meeting to order at 2:01 p.m. The following Commissioners were present: Doreen Woo Ho, Kimberly Brandon and Willie Adams. Commissioners Leslie Katz and Mel Murphy were not present.

2. APPROVAL OF MINUTES – August 13, 2013

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. The minutes of the August 13, 2013 meeting were adopted.

3. PUBLIC COMMENT ON EXECUTIVE SESSION

4. EXECUTIVE SESSION

A. Vote on whether to hold closed session.

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

At 2:02 p.m., the Commission withdrew to executive session to discuss the following matters:

The Commission Secretary announced that Item (2) has been taken off the calendar.

(1) CONFERENCE WITH LEGAL COUNSEL REGARDING ANTICIPATED AND EXISTING LITIGATION MATTERS:

- a. Discuss anticipated litigation matter pursuant to California Government Code Section 54956.9(d) and San Francisco Administrative Code Section 67.10(d): (Discussion Item)

Number of Potential Cases: 1 X As Defendant

Facts and Circumstances: On or about February 2012, the Port received correspondence from Vortex Marine Construction, alleging deficiencies in the Port's design and construction documents for the Pier 43 Bay Trial Link Project, Port Contract No. 2727, concerning, among other things, (a) alleged unidentified utilities; (b) constructability of the promenade deck; and (c) Contractor's office and field expenses, alleging an

entitlement to substantial compensation, which the Port disputes. These circumstances present significant exposure of potential litigation.

- b. Discuss existing litigation matter pursuant to California Government Code Section 54956.9(d) and San Francisco Administrative Code Section 67.10(d): (Discussion Item)

- *Ferry Building Investors, LLC and Ferry Building Associates, LLC v. San Francisco Port Commission; Board of Supervisors of the City and County of San Francisco, et al.*; Superior Court of California, County of San Francisco (Case No. CPF 12-512355), filed July 20, 2012.

- (2) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. *This session is closed to any non-City/Port representative: **THIS ITEM HAS BEEN TAKEN OFF THE CALENDAR**

- a. Property: Pier 38, located at Delancey Street and The Embarcadero
Person Negotiating: Port: Byron Rhett, Deputy Director, Planning and Development
*Negotiating Parties: San Francisco Waterfront Partners III, LLC: Simon W.R. Snellgrove
*Negotiating Parties: TMG Pier 38 Partners, LLC, a joint venture of TMG Partners and Premier Structures: Michael Covarrubias

5. RECONVENE IN OPEN SESSION

At 3:17 p.m., the Port Commission withdrew from executive session and reconvened in open session.

ACTION: Commissioner Brandon moved approval to reconvene in closed session; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Brandon moved approval to not disclose any other information discussed in closed session. Commissioner Adams seconded the motion. All of the Commissioners were in favor.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS – The Port Commission Secretary announced the following:

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.

- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

9. EXECUTIVE

- A. Executive Director's Report: Executive Director Monique Moyer reported the following:

- Urban Air Market at Pier 70 – August 18, 2013

The Urban Air Market at Pier 70 took place on August 18, 2013. As I reported at the last Port Commission meeting, part of our goal of rehabilitating Pier 70 and bringing it back to useful life is getting a chance for more of the city to experience the great buildings that are there and the site that it has been. On August 18th there was an Urban Air Market hosted by Forest City at the Pier 70 development, which was the first time that Building 12 had been opened to the public since it was built in 1941. I'd like to invite Jack Sylvan of Forest City Development to tell us a little bit about the experience of what the Urban Air Market experienced and how the members of the public were able to enjoy Pier 70.

Jack Sylvan - It's my pleasure to be here today to talk about something that isn't plans on paper but something that happened in reality. We've talked about this before. Forest City is a bit unique in the real estate development realm in that we're focused not just on the entitlements of long-term construction of buildings, parks and infrastructure, but we think that there's a role to play now in activating the Pier 70 site that does many things.

One, it creates momentum for the planning process that we're engaged in. It engages with the community in a way that they can understand what we mean when we talk about the types of activities and culture that we hope to bring to Pier 70, and then it also creates value in the land. We think that will accrue to both the Port and Forest City.

One of the opportunities that came across our door is Urban Air Market, which happens two or three times a year, primarily in Hayes Valley. It's an outdoor market -- sustainable design, home accessories, furniture, clothing, jewelry, all local artisans. They were interested in being our guinea pig with us to try something in Building 12. We weren't quite sure what was going to happen, but it was a great opportunity to test it.

We had been hoping to draw about 2,000 people out to the site. There's a little map right here. Building 12 is what's labeled as "Urban Air Market" and, as you can see, it's about two or three blocks from Third Street Light Rail and

the main part of Dogpatch. When the organizer of Urban Air Market sent out the email to her vendors, they got responses like "Will you tell me about this place called 'Dogpatch'? Is it near BART?" We were a little bit nervous about whether we were going to be able to attract people on a day that had a lot of other things happening in the city.

At the end of the day, we were really lucky: Pier 70 displayed its best colors. It was totally sunny and warm. There were 5,000 people that came out to the site. They were pouring down into the site on bikes. We had partnered with the San Francisco Bike Coalition to do bicycle parking. There were 400 bikes parked. It was really an amazing success. One of the lessons we learned the most was being a victim of our own success: We needed more food trucks, more bathrooms, and more places to sit.

We had, off the grid, three or four food trucks there. There was a beer garden that was set up in an area outside. We partnered with the Noonan Building artists. They actually set up a beautiful temporary pop-up gallery right inside the building. There were about 100 vendors, local artisans. There were kids' play areas with hula-hooping. There's an organization in the Bayview called 'SCRAP' that set up a table for kids to do crafts. There was live music; there was an area for people to hang out and enjoy that.

I'm going to show you some pictures and I'm going to read off the notes that are on my phone. This is what the inside of the building looked like with the vendors. It's a really amazing space for this type of market activity. On the bottom right you see the beer garden, and you can see the area on the bottom left. This is actually early in the day. This is probably at about 11:00 a.m. The Mayor came out and spent about an hour walking around. He was excited about what was happening out there and about the opportunity to see these first glimpses of transforming some of the Port's properties into these amenities for the community.

One of the great things that we were able to do is engage with a bunch of people who had not actually been participating in the public planning process. We had all of our presentation boards out, and we had probably a thousand people come and look at these boards and actually give us feedback. The picture on the left was a big comment sheet and also questions, like "What does an open city look like to you?" This was a way of getting people to provide feedback in ways that are not just specifically "What do you think about this plan?" but "What does the city mean to you?"

Here you see an example of some of the vendors and the food trucks. One thing that is interesting for us is we've done some research on who are the entities that are these entrepreneurs -- these small, local entrepreneurs that run the food trucks that are the vendors in these stalls. What we've found is that 66 percent of the vendors are first-time business owners, 55 percent are minorities, and 31 percent are women. This is fantastic not just because

we're generating activity in a new location, but it creates a low cost of capital, a venue for these entrepreneurs to start their businesses.

Here you see some more of the kids' activities and the music. We did a survey of some of the businesses in the adjacent neighborhood of the Dogpatch, and a couple of them were slammed. They knew that this was happening. We were told that their foot traffic in sales were between 25-50 percent higher that day, and a couple of the businesses had record sales days. Again, this is seeing the first examples at Pier 70 of how the Port's property is stimulating economic activity in this part of the city.

Of course, we talk a lot about making sure that we're tying the culture of the place to the creative and design components. You see the Noonan Building's temporary gallery space. There's a local gallery called the Workshop Residents in the Dogpatch. They set up a booth, and you see on the bottom right other vendors.

It was incredibly satisfying to see the place come alive. The fact that 5,000 people made it out there demonstrates that this is something that has legs. We're working with the Port to find ways to keep making this possible. I would like to thank the leadership of Director Moyer and the staff that worked hard with us to make this possible. That included Byron Rhett, Brad Benson, David Beaupre and Elsa Lamb.

Monique Moyer - Thank you, Jack. Congratulations to you all. It's great to see your vision.

Commissioner Woo Ho - Could you tell how far you think these 5,000 people came? Was it more than just the Potrero Hill, Dogpatch, or do you think from all over the city? Is there any way for you to know?

Jack Sylvan - One of the lessons was that next time we need to find out where folks are coming from. It was pretty clear that folks were coming from all over San Francisco. There were barely more than 5,000 people in the Dogpatch itself. One of the reasons that we were able to be successful is we partnered with an organization that is a draw. Urban Air Market is a brand that people will actually travel for, so people were coming from all over the city.

Commissioner Woo Ho - It sounds like you might repeat this again.

Jack Sylvan - That is certainly our goal. Our goal is to be able to support an ongoing series of activities like this that could include a flea market that could include a maker fair, farmers' market. That's what we're working with staff on, finding a way to support that model.

Commissioner Woo Ho - Congratulations -- a terrific event!

Commissioner Adams - I would like to say thank you for the way that you guys have reached out to the community. If you remember, one time you were here and the Noonan artists were saying that you guys hadn't been talking a lot. It's really good that you had them highlighted here and they've reached out and you guys are working together. This is so hands-on. It's good to see that the Mayor came out. This project is going to blossom and gleam for our community. I also would like to thank you for the invite for me to come out.

Jack Sylvan - Thank you for your support in this. It's really helpful.

Monique Moyer - Thank you, Jack. Thanks for coming down today to share that with us.

- 34th America's Cup Bike Lane – September 8-15, 2013

I would like to note that for the benefit of everyone, there is a temporary bike lane that's been posted on northbound Embarcadero beginning at the intersection of Washington and Embarcadero and running all the way up to Pier 23, which is the intersection of Embarcadero and Green Street.

The America's Cup events to date for the final match, which began on Saturday, September 8th, have been very fun and very exciting despite the fact that the U.S. is trailing. It's still been an event that has attracted people en masse to the waterfront. I had the pleasure of being out on the water on Sunday and could see that the piers were packed in all of the free areas, which was part of our vision. You could see people behind Piers 15 and 17 at the Exploratorium, you could see people at Piers 27 and 29, where the public access ways are, and you could see people all around Pier 39 and Fisherman's Wharf getting ready for and watching the races.

We see a steady stream of people coming up and down the waterfront every day that there's a race and a fairly steady stream of people still coming on the non-race days. We've been very gratified by that. We have found exactly what we hoped for, which was that the match racing -- i.e., one vessel to one vessel -- is showcasing the Bay exactly as we had planned. Dominating in match showcases, of course: the Port's properties, including our very own Port of San Francisco sign atop our Cruise Ship Terminal Building, which is getting a lot of video coverage, particularly on NBC.

We're very gratified that we've been able to participate in an event that has encouraged so many people to visit the waterfront and experience new piers that they haven't experienced before. It's been a very long time since Piers 27 and 29 were populated, if ever, by the public in this way.

The bike lane has proved successful in some ways. It's hard to measure just yet. You may recall that at a previous presentation in front of the Commission, Commissioner Katz pushed hard to have the bike lane be for

two-way traffic. Even though it's on the northbound traffic side, the bike lane is open to two-way traffic. There is signalization. If you were riding your bike southbound, you would come across signalization, which would warn you when to go into an intersection or not depending on how the lights have changed for the auto traffic.

We have found, through the reports of the America's Cup Event Authority, that the bike lane has produced so many people coming by bicycles that their bike parking areas were overrun; people are putting their bikes wherever they can. We're happy that this was a successful way to get to see the America's Cup Village at Piers 27 through 29. On the non-weekend days we haven't seen nearly as much bike traffic as we saw on the weekend and as we saw for the Fleet Week and the America's Cup events last year.

Again, this is a pilot program. We're using the America's Cup events to see how it can work. We're learning from it. We'll have a more detailed, connotative report after the events are over, but I just wanted to share some initial thoughts with you. The current bike lane will continue on through this coming weekend and be final as of September the 15th -- assuming that the racing goes that long. Stay tuned, more to follow on that.

- Brannan Street Wharf Project – Selected to receive an award for 2013 Airports & Ports Project of the Year from the San Francisco American Society of Civil Engineers – September 19, 2013 at City Club of San Francisco

As you know, the Brannan Street Wharf just opened two months ago on July 17, 2013 and already it has been singled out for its very first award. It has been awarded the 2013 Airports and Ports Project of the Year by the American Society of Engineers, San Francisco Section. The American Society of Civil Engineers is the oldest national engineering society in the United States, and San Francisco sector runs from Monterey to Oregon and out through the Valley down to Fresno, so it's a fairly sizeable area.

To be awarded the Project of the Year for either airports or ports is a very high honor, indeed. The award will be presented September 19th at the regular meeting of the American Society of Civil Engineers, which will be held at the City Club here in San Francisco. Kudos to all of the team members on the project, which included Port staff, Steven Reel, Dan Hodapp, Wendy Proctor and a million others, Zaccor & Company and Dutra Construction, as well as Bowman Landscape and numerous other subconsultants. It really is a great coup, and it's really fun to see how people are enjoying the park. We look forward to getting many more awards.

- Coastal Cleanup Day – September 21, 2013 from 9 a.m. to 12 noon at Warm Water Cove, Heron's Head Park, Agua Vista Park and Mission Creek

We have two days in September where we would encourage everybody to come out and help clean up our Port property and our coastline. The first is the annual Coastal Cleanup Day. As you know, that is an international event, particularly popular in all of California. In 2012 over 65,000 volunteers removed over 770,000 pounds of trash on California beaches alone. The Port participates every year. We are going to have Coastal Cleanup opportunities at five port sites, which include Heron's Head Park, Warm Water Cove, Islais Creek Park, Agua Vista Park, and Mission Creek Park.

The Port works with the San Francisco East Side county coordinator, Lorraine Palmer of Sea Scavenger. We volunteer to provide resources such as supplies, equipment and trash pickup; and Recology actually does a lot of the trash pickup, as well. It's a great event, and we really hope that people will join us. It is happening on Saturday, September 21st from 9:00 AM to 12:00 noon, at Warm Water Cove, Heron's Head Park, Islais Creek Park, Agua Vista Park or Mission Creek Park.

- Department of Public Works /San Francisco Giants Clean Sweep – September 28, 2013 from 9 a.m. to 12 noon at Islais Creek Park @ Third Street and Cargo Way

The following Saturday you can join the Department of Public Works' Community Clean Team event, which this year is in coordination with the World Champion San Francisco Giants. Last February, the Mayor and the Department of Public Works and the Giants launched Giant Sweep, which is a city-wide anti-litter campaign that partners with local schools, residents, businesses and community groups to keep the city clean and beautiful.

On Saturday, September 28th Mayor Lee, Supervisor Malia Cohen and the San Francisco Giants and Community Clean Team will be cleaning and greening San Francisco in District 10. Volunteers will plant trees, work on landscaping and gardening projects, paint over graffiti, and help clean up litter around the neighborhood. The Port senior staff will be participating at our volunteer event related to our 150th anniversary. The clean-up runs from 9:00 AM to 12:00 PM, and we will all be meeting at Islais Creek Park at Third and Cargo Way. We hope that all of you in this room can join us and help keep our waterfront clean for everybody.

Commissioner Woo Ho - I was down on Embarcadero on Saturday and Sunday. It was a terrific event since you mentioned the bikes. I noticed a couple times that the pilot bike program drop-off sites, the racks were 100 percent full. If people are going to drop off bikes, there was no place to put them. The operator needs to figure out how to have more empty racks. So that's a feedback for them. I want it to go on record because that's not probably a good experience to drop those bikes off without room for them on the racks.

Monique Moyer - Thank you, Commissioner. I think lessons learned from the previous weekend are that more bike storage is required but it's a great success. We wanted to see a multimodal access to these events, and we're definitely seeing as many people coming off public transit and walking the waterfront as we are seeing bikes and other modes. We're pleased by that. I'll pass your comment along.

B. Informational presentation by Water Emergency Transportation Authority (WETA): Overview of WETA's System and Plans for Expansion.

Jamie Hurley, Port Planning and Development - I'm here to introduce this item, which is an informational presentation by the Water Emergency Transportation Authority. With us today and seated directly behind me is Nina Rannells, Executive Director of WETA, along with WETA's Planning Manager, Kevin Connolly; and somewhere in the audience is Senior Planner Mike Gougherty.

Kevin is making a presentation in a moment that focuses on the history of the agency, its current operations, plans for expansion of their system into the downtown San Francisco ferry terminal, and a bit about their response to the recent disruptions of service to the BART system. Before I bring Kevin up, I just wanted to say a few words about the relationship between WETA and the Port.

As Kevin will describe in some detail, the WETA system covers pretty much the entire Bay or it will at full build-out and the hub of their ferry system, is the downtown ferry terminal, which is located on Port property right here in the Ferry Building area. As such, WETA works closely with Port Maritime staff to coordinate their operations in San Francisco. WETA is also a Port tenant, with their main office located just up the road at Pier 9. For the past several years, the Port has been working in partnership with WETA on the expansion of the downtown San Francisco ferry terminal through a memorandum of understanding between the Port and WETA that was authorized by the Port Commission and the WETA board in December 2008.

Kevin will provide a brief status update on the expansion project. It's been a very good working relationship that we've developed between the two agencies over the past few years, and we look forward to continuing to build on the progress that's been made and make some great improvements to the Ferry Building area and its role as a transit hub for the region in the coming years.

Kevin Connolly - Thank you, Port Commissioners, for inviting us here today. I'm just going to go through a short presentation introducing people to our service, what we're doing, and our plans for expansion. Recently this summer a lot more people have been introduced to our service, not by choice but because of different events that are going on in the Bay Area.

As Jamie mentioned, our network spans the Bay. Right now we're in the central part of the Bay in Vallejo; but we do have expansion plans as shown on the graph. The green dots are where we're serving today, and the red dots are our

expansion program. Three things that I would highlight on this are our maintenance facilities. We're building maintenance facilities. We're going into construction next month in Vallejo on one; a year from now we're going into construction on our second, which will be in Alameda; and the downtown expansion of our service here in the city.

In 1999 the state legislature created something called the Water Transit Authority, which was a Planning organization that was cast with generating a ferry system for San Francisco Bay. This was a result of the Loma Prieta earthquake and awareness that ferries can do a lot in terms of service after events. We adopted an implementation operations plan in 2003 that was worked in with collaboration throughout the Bay Area, including San Francisco, charting a course for expansion of ferry services.

In 2007 SB976 established the Water Emergency Transportation Authority, which was the successor organization to WTA. We immediately started discussions with the two independent ferry operators at the time in the Bay, the city of Alameda and the city of Vallejo; we started their service in 2012. The idea was there would be efficiencies realized by consolidating independent agencies at the time. And that has been realized, as you're going to see. In 2012 we opened the first news service in quite a long time in the Bay at South San Francisco.

Our core goal is to plan, implement and operate productive, effective and cost-efficient service in the Bay Area and meet demand with available resources. As you're going to see, we have quite a lot of demand these days. We actually don't have enough resources to meet that demand, but there are plans underway to really expand what we're offering.

If you're not familiar with how we operate here at the Ferry Building: Our services on the north side of the building are to Vallejo. Blue & Gold also operates a private service to Tiburon. That center component is Golden Gate Service to Larkspur and Sausalito. In the south side, that's our services to South San Francisco, Alameda Harbor Bay, as well as Alameda Main Street and Oakland.

In terms of our ridership, before July we were experiencing double-digit ridership on all of our services. In July, as you can see from this graph, it really skewed everything up because of the BART strike at the time. We're obviously up quite a bit in terms of our ridership over a one-year period, and that's a trend that goes back to about three years, where we've seen quite a bit of increase in ridership causing good problems for us in terms of parking impacts on the east side of the Bay as well as queuing and crowding; and we even have leave-behind passengers on all of our trips these days in terms of Alameda, Vallejo, and Harbor Bay.

This summer, we did a lot of service in response to a lot of emergencies. On May 31, 2013 there was a collision into BART 2. It happened at 2:00 in the

morning. We were able to double our service that we put out in the water for that commute period, and we increased our ridership by 50 percent. That's the value of a ferry service, you can respond quickly and ramp up what your service offerings are.

The first week of July, BART went on strike. That week we went from 7,000 riders a day to about 21,000 riders a day. We tripled our volume, we offered every boat we could, more crews. We saw serious patronage, as we were the only real transit option that was crossing the Bay. Finally, two weeks ago, during a five-day period with the Bay Bridge closure, we saw 90 and 100 percent increases in our volume over our weekend service. We implemented everything on all of our services to respond to the need. This is what a ferry service can do. We're achieving one part of our three-part mission: to provide emergency service, be there to consolidate existing services, and then finally provide a day-to-day service that can be reliable and an economic development asset for the city of San Francisco.

Our expansion plan is divided into two categories. The first is near term. East of San Francisco that means Treasure Island, Richmond, and Berkeley. Those are projects that are underway in the planning and design stages. And then long term, where there are projects that don't have any identified funding but they are in conceptual stages -- those are in the Carquinez Straits, Martinez, Hercules and Antioch as well as down the Peninsula and Redwood City.

None of these projects are possible without an expansion of our facility in downtown at the Ferry Building. That's a key part of our program. It's a central component of our program. This is today's ferry terminal. For those of you who don't know, Gate B is on the left-hand side. There is no Gate A, which is a bit confusing. Gate B is where Vallejo operates. Gates C and D are where the Larkspur and Sausalito ferries operate. That's Golden Gate in the middle. On the right-hand side in the south is Gate E; that's Alameda/Oakland services.

This is the full build-out of the anticipated project, which is adding a new gate in the north basin, Gate A, between Pier 1 and Gate B, and then adding two more gates in the south basin as well as some significant improvements to the pedestrian environment there, decking over what's called the "lagoon area," providing a lot more areas for staging, queuing of passengers in a plaza between the Ferry Building and the Agricultural Building.

The north basin improvements that adds Gate A. Weather protection is a big part of this. A lot of our passengers complain about weather protection, especially in the winter. We see a highly seasonal regulation of our service and our ridership. The concept is to add some canopies to provide protection for people queuing for services. Those gates would likely be Berkeley and Richmond, in other words, north of the Bay Bridge.

This is what it would look like at build-out. This is an artist's rendering. There you can see the canopies. There's going to be serious work to come on those

canopies, whether those can actually fit within this architectural environment that we have here; but we're committed to working with the Port staff. We've had a very productive relationship in terms of this project, as well as all of our services, with the Port staff.

In the south basin it's adding two gates, Gates F and G, which would be a significant improvement even today for impacted services that we have. During our strike situation and our Bay Bridge closure, one of our pinch points was getting boats into a single gate south of the Ferry Building. If you were here or around this area during that period, the crowding and the lines and the queuing that happened was quite a mess, not by anybody's fault. Port staff did yeoman's work in trying to organize that. It's quite awkward in terms of the layout there with the lagoon.

Here's a rendering of what it would be like. The lagoon area, which you're familiar with as open water today, would be decked over and we'd create a plaza. That plaza would be used maybe 5 percent of the day for ferry operations and queuing and the rest of the day would be a plaza that would enhance already a public area here in San Francisco.

Commissioner Woo Ho – Thank you very much for the presentation. It's very helpful because we are trying to emphasize more water transportation. I appreciate learning how you did respond to the crises. I think that helped a great deal and also what your plans are. I'm wondering, with all three events that happened, where you did have new riders, do you find that you convinced a few people to take the ferries now on an ongoing basis? Are you finding that you got a little plateau from before the event so that you have new transit riders on the ferries?

Kevin Connolly -Yes. If we compared our week before the strike or the Bay Bridge and the week after, we've seen between a 20 and 30 percent bump in ridership. Some of that's due to the fact that the weather is nice and people take the ferry more; but we definitely believe that a lot of it is due to the community being exposed to a service they didn't know about before.

Commissioner Woo Ho - So related to that, to understand when you set up a new service, obviously they probably drive to find other public transit to where they embark. Is parking going to be a consideration in terms of enough spaces where they have to get to get onto the ferry to come to San Francisco? What are your thoughts on that?

Kevin Connolly - You're absolutely right. That is a key issue. That is a struggling issue that we have today, where we have full parking in Alameda and Harbor Bay and we just, frankly, can't add anymore to meet demand. That is a key component of our Berkeley project, our Richmond project. There needs to be adequate parking because of those projects. They're on the edge of town, being on the water, and there's just not a lot of great transit service to those areas.

Commissioner Woo Ho - It seems like you've really got the east-west figured out, and you have two points in north-south. I'm sensitive because I'm in the southern part of the city; I'm actually in the city. That's where a lot of the traffic congestion is, it's coming into the city from the south. I also think we should have a sort of shuttle service along the waterfront, for commuters as well as for special events as well as for tourists. What thoughts do you have how you could fulfill that need? It doesn't seem quite to be in your plan today, but that would be something that would help. The Port would need to know what kind of infrastructure, as we go through all these piers, to make sure we have the right docking stations. It wouldn't all just be the Ferry Building, there would be stops along the way. Do you see that as part of your plan and vision, or is that something you're going to have to do differently?

Kevin Connolly - That's a great point. Our service was designed around congestion relief and bridge congestion relief, and a great deal of our funding comes from bridge tolls. So that's really where it originated from. I will share with you that in the spring we started a pilot service from South San Francisco into San Francisco during the mid-days. We did it twice a week. That service has really thrived, and surprisingly so for us. We've seen really good patronage of that. That is an indicator that there may be a market there that we're not offering or nobody is offering today.

In addition, what we're doing is a lot of strategic planning these days. We're looking at our overall operations and how we can better utilize vessels, and the idea of San Francisco waterfront service beyond just the Ferry Building or Pier 41. Ideas like the AT&T Park, for example, other than just baseball games. That's a definite part of what we're looking at and exploring. It's all with the idea of trying to bring more people to the waterfront and move people literally up and down the waterfront.

Commissioner Woo Ho - That would be terrific because I think that would help relieve some of the congestion we see. Also, it could be a tourist attraction. It could also be helping the commuter traffic to go up and down all the way up. It could go beyond Port property, over to Marina Green, even. I think it's not just a Port problem from the Port's perspective. I would like to encourage you to keep thinking on that strategically because I think that's going to be an answer. We're going to hear more about water taxis later today. But if there's some sort of shuttle service that goes back and forth, and all of you who are in the water transport business, if you could help us think that through. If you go on any of those, 101 or 280, it's not friendly in the morning or in the afternoon.

Commissioner Adams - I think we have about 3 million passengers a year that take our ferries. Is that about close?

Kevin Connolly – Yes

Commissioner Adams - A lot of people probably don't know that. We might be second to Seattle, who has the largest ferry system. Do you foresee one day a



ferry from Treasure Island coming over and maybe with the Warriors, with the Exploratorium? What President Woo Ho was saying is to educate our community about the availability of taking water taxis. Approximately 15 or 20 percent of people who go to the Giants games go by water taxis. It's efficient, it's fun, it's a fast way to use the waterfront. Maybe a lot of our community doesn't know the efficiency of using water taxis, but definitely due to these disputes they learned that there was an alternative, that people could take water taxis without driving and even taking BART into the city.

Kevin Connolly - I will say on Treasure Island that we have worked closely with the Treasure Island Development Authority, and we do have a plan in place where, once they reach a certain threshold of development, there would be a ferry terminal constructed as part of that. That would be an integral part of that project's viability in terms of getting people to and from the city as well as elsewhere. I completely agree in terms of ideas about other locations. We've recently met with the Warriors organization, and we're starting to look at and explore ways that the ferry can enhance that project as well as our own service. Those are things that are all exciting ideas that we're looking at.

Commissioner Woo Ho - There are event-driven games or there are destination points for commuters, which right now are all in downtown San Francisco at the Ferry Building. We're talking about water buses, in a way, or water shuttles similar to what they have in Paris on the Seine, where it's just regular service and you can drop off at any time, get on at any time. That's really what, I think, would also help. But you have to solve the parking issue if you're going to try and figure it out. Now all these Silicon Valley companies have people that have to go south instead of coming north. They've got buses right now, and it would be much greater if they had some other way to get their employees to work. If we were able to provide that sort of commuting service, that would be great. The Commission would strongly endorse whatever you can do in your planning process to come up with some great ideas and plan in this direction.

10. CONSENT

- A. Request authorization to execute a contract modification to Construction Contract No. 2727, Pier 43 Bay Trail Link Project, with Vortex Marine Construction, Inc., to increase the contract amount by \$204,726, and to retroactively approve an increase in the contract amount of \$20,353, for a total authorized contract amount of \$7,606,973. Resolution No. 13-32)

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution No. 13-32 was adopted.



11. MARITIME

- A. Informational presentation by Bermello & Ajamil, the Port's Cruise Terminal consultant, describing management options for the James R. Herman Cruise Terminal located at Pier 27 on The Embarcadero at Lombard Street.

Peter Dailey, Deputy Director of Maritime - The America's Cup obviously has been using our brand new cruise terminal since March, and it's the centerpiece now of the America's Cup Park. Thousands of people a day are experiencing Piers 27 and 29 for the first time. It's a wonderful thing. Come November it will be turned back to the Port, and the Port will be able to begin phase two of our cruise terminal project.

We build a cruise terminal at the Port of San Francisco once every hundred years, so we thought that this would be a good opportunity with this new facility to take advantage of an analysis of different business models from other ports around the United States and the world and do a comparative commercial analysis of our port in terms of our pricing, our structure, and our commercial possibilities.

We were lucky to be able to hire Bermello Ajamil & Partners. Bermello Ajamil is one of the preeminent cruise terminal planning and architectural firms in the world. They were also a part of the team that helped design Pier 27, so they have hands-on knowledge of the design inside and out of the facility. Luis Ajamil, the Chief Executive Officer of B&A, is here today to give you a presentation and overview that we asked him to look at: our port compared to other ports in terms of business models, etc. Luis is the preeminent expert in this stuff, and we're very happy to have his guidance and expertise.

Luis Ajamil - It's a pleasure to be here with you today to give you this report. You've worked very hard to get to the state that you're in, having the brick-and-mortars up, and now comes the part that people will actually feel the most. It's nice to have a nice building functioning, but the operation of the facility is where the next major step is. You have an opportunity to take it to the next level. Cruise terminals are very busy places, where people embark and disembark. But it's the experience of how they're treated and get through and in and out of the ship, that their luggage gets to where it needs to go, that's really important and can set you apart.

You've all asked three very specific questions that I'm not going to cover in the presentation, but in the context of putting everything in a framework of what it is, I have a few slides I want to show that talk about the overall cruise industry so that it gives you a pretty interesting perspective of where San Francisco lies. We are going to be addressing the basic questions which relate to how do you compare financially, how do you look at operational models, what are those issues that are important, and then some of the recommendations that we're reaching.



I want to put it all into a market context because, at the end of the day, you're trying to attract more business so you can create a higher economic return and economic impact on the community and on the Port. The key here is to be able to attract the cruise lines to bring their customers. San Francisco is a well-known commodity that people want to come visit. Now the question is how you put this in a package that is also attractive to the cruise lines so that the two work side by side.

One bit of great news is that the industry is a growing industry. There's no issue about the industry itself. It's healthy, they're buying new ships and so forth. The question is always "Where are they going to put these ships?" This slide shows you the overall growth over the last 20 years. You can see the diversification of the industry. It started with the blue, which is North America, then expanded into Europe in yellow and you're beginning to see a little bit of the green, which is the Asia market, beginning to grow. What's interesting is the yellow now is as big as the North American market was in the 1990s, when everybody thought this was really robust.

The industry is growing worldwide as the demand for the product increases, and that is very healthy. As a result, what was an industry that was predominantly in the Caribbean and the West Coast and New England market went into the Mediterranean, into Asia; and now today it's a worldwide industry. In many ways, when you compete for the placement of the vessel, which is part of the whole trick here, you're competing on a worldwide scale -- against other ports, against other major cities. Obviously, San Francisco as a city, as a place beats everybody hands-down. Now the question is "Does it work in an itinerary package?"

The industry has a long way to go. I like to show this slide because it compares the cruise industry against attendance at theme parks. The yellow lines are all annual attendance at theme parks. The blue line is the annual cruise passengers in the world, and the red is the annual cruise passengers in North America. As you can see, the entire cruise industry in the whole world is about the same attendance as the Magic Kingdom. It gives you a perspective of how much room the industry has to grow in terms of attracting business.

Another thing that is a megatrend that is really important and affects the Port is that the industry has consolidated very quickly as opposed to the airline industry that seems to consolidate every year through mergers and acquisitions. It seems new airlines grow, but it's not happening in the cruise industry. You basically have, in North America, three major lines -- Royal Caribbean, Carnival, and Norwegian -- that control about 85 percent of the total marketplace. Very important as you try to diversify and attract new clients.

What drives the whole industry is the capacity. The ships are going full. They're being put into different markets. This is how ships have been ordered and delivered on every year. You can see the cyclical nature, depending on the economy, the number of ships to be built. I wanted to show the way the chart



looked in 2011 when the economy was not going well, everything was in chaos. You saw that the ship order was going down. Since then this is what has actually happened. In fact, already for 2015-16, although there are fewer ships, there are more cabins being built. So the capacity is bigger. Now, it's concentrated on fewer ships. So, again, the ability to expand rather rapidly is there, but you have fewer ships that are competing or moving around.

Without going through all of these things, the cruise line works on a very specific model. They want to take the passengers where they want to go, but they want to make a great return. That's how they make their choices. They make money through several ways; it's not just through the ticketing but through onboard revenue, through working with the tour operations. They highly rely on a great deal of passenger satisfaction, which means repeat business. Like any other business, there's 70 and 80 percent repeat business. They're very good at that. So the whole experience at the terminal and here is very critical.

The expectation for the industry, and this is a forecast that we do on an annual basis, is really strong on a worldwide basis. Looking at expanding from about 19 million passengers a year worldwide to between 35 and 50 million by 2030, a lot of room for expansion. We think a lot of that will occur in North America. These are our North American projections. There are highs and lows. Usually it's the red one that's the target, but it all depends on the economy, currency exchange, and things like that that drive those decisions. We're still looking at doubling the amount of passengers in North America.

So where are they going to go? In San Francisco -- well, throughout the United States the major home ports are along the four obvious corners: the northwest, northeast, southeast and southwest corners. San Francisco is one of the few that's in the middle. The reason for that is itinerary. Now, it does offer that San Francisco has three major itinerary packages: to the south into the Mexico market, to the north into the Alaska market, and to the west into the Hawaiian market. Each one has different characteristics.

What I wanted to show you in this one is, although this is the last five years, the percentage market capture by each of those markets. The one thing you can see: the Caribbean is obviously the largest percentage. It captures 40 percent of the business, then the Mediterranean is 20 percent, Europe. But most of them are pretty stable. For example, the Caribbean and the Mediterranean, you can see are very stable. There's not tremendous growth. The only ones that have had a significant change is Europe, which is northern Europe upward; Asia you're beginning to see a little bump; and you can see then West Coast/Mexico going down.

As a result, this is reflected in the capacities of each of these home ports and how they have operated, where you see the two biggest home ports in the world are Miami and Port Everglades, each between 3.5 million and 4 million passengers, although this year and the next year you're going to see them almost reach 5 million because of the redeployment back to America because of



the economy in Europe and so forth. Then you see the others down here -- New York, Seattle, Vancouver, Los Angeles, San Diego.

When you look at the markets that are affected here in San Francisco -- the Alaska, the West Coast/Mexico, Hawaii and then the world markets -- you can see that they're all pretty stable except the West Coast/Mexico; that has gone down over the past five years. That's reflected a great deal on each of the ports that service that, particularly Los Angeles and San Diego, where you can see a remarkable drop in business since 2010, all due to the economic conditions. San Francisco has gone up. A lot of it has to do with the new redeployment, I think the industry discovering that this is a major metropolitan area where they can really build their business. It's very good news for you all.

The one thing that is still on the horizon that affects this is the cost of operation as it relates to fuel and the new environmental control areas that are affecting the type of fuel that they'll be burning. Anything in the center of the United States, where you have longer sailing distance, will affect those ports the most. We really don't know yet the full effect of this, but it's important.

Finally, just a couple of things because at the end I want to close to this. This is now about 10 years' worth of data about how these home ports have operated. The three top ones are Port Everglades, Miami, and Canaveral. I'm going to wipe those out because the scale of these things then dwarfs the others. Here's everybody else. You're the light blue line at the bottom, and the one growing the most is New York at the top. That's the collective New York/New Jersey market; that has gone from about half a million passengers to 1.6 million.

You can see the fluctuations -- they go up and down, up and down as the ships deploy and redeploy. You really have to look at it very long term. Close your eyes, squint a little bit. Then you begin to see what the trends are. The vast majority of the trends are up, with the exceptions of Los Angeles and San Diego that I talked about. The vast majority, going back from 2000-12, are way up. Some are more particularly exciting than others, which creates two case studies to think about what could happen in San Francisco.

The two are New York and Seattle, Seattle being the red line. You can see Seattle went from practically nothing to close to a million passengers. How did Seattle do it? It created the home port facilities, like you are, and they become the gateway for Alaska. So people fly into Seattle from all over the country; the cruise lines put them in there. They take advantage of the Seattle area, and then they go to Alaska. In that case, logistics and costs are very important because the cruise lines are bringing people from all over the place and they're controlling that destination.

The other one is New York. You can see an even more dramatic growth of New York. In New York the model was different. In that case the cruise lines said, "We would like to be able to sell cruises to people that are within the northeast of the United States," one of the largest population bases in the United States next



the economy in Europe and so forth. Then you see the others down here -- New York, Seattle, Vancouver, Los Angeles, San Diego.

When you look at the markets that are affected here in San Francisco -- the Alaska, the West Coast/Mexico, Hawaii and then the world markets -- you can see that they're all pretty stable except the West Coast/Mexico; that has gone down over the past five years. That's reflected a great deal on each of the ports that service that, particularly Los Angeles and San Diego, where you can see a remarkable drop in business since 2010, all due to the economic conditions. San Francisco has gone up. A lot of it has to do with the new redeployment, I think the industry discovering that this is a major metropolitan area where they can really build their business. It's very good news for you all.

The one thing that is still on the horizon that affects this is the cost of operation as it relates to fuel and the new environmental control areas that are affecting the type of fuel that they'll be burning. Anything in the center of the United States, where you have longer sailing distance, will affect those ports the most. We really don't know yet the full effect of this, but it's important.

Finally, just a couple of things because at the end I want to close to this. This is now about 10 years' worth of data about how these home ports have operated. The three top ones are Port Everglades, Miami, and Canaveral. I'm going to wipe those out because the scale of these things then dwarfs the others. Here's everybody else. You're the light blue line at the bottom, and the one growing the most is New York at the top. That's the collective New York/New Jersey market; that has gone from about half a million passengers to 1.6 million.

You can see the fluctuations -- they go up and down, up and down as the ships deploy and redeploy. You really have to look at it very long term. Close your eyes, squint a little bit. Then you begin to see what the trends are. The vast majority of the trends are up, with the exceptions of Los Angeles and San Diego that I talked about. The vast majority, going back from 2000-12, are way up. Some are more particularly exciting than others, which creates two case studies to think about what could happen in San Francisco.

The two are New York and Seattle, Seattle being the red line. You can see Seattle went from practically nothing to close to a million passengers. How did Seattle do it? It created the home port facilities, like you are, and they become the gateway for Alaska. So people fly into Seattle from all over the country; the cruise lines put them in there. They take advantage of the Seattle area, and then they go to Alaska. In that case, logistics and costs are very important because the cruise lines are bringing people from all over the place and they're controlling that destination.

The other one is New York. You can see an even more dramatic growth of New York. In New York the model was different. In that case the cruise lines said, "We would like to be able to sell cruises to people that are within the northeast of the United States," one of the largest population bases in the United States next



to California. That's what they're doing. So they're not relying on flying people all over the world to come here; they're relying on people driving from hundreds of miles away to come to their port and grow.

The future of San Francisco is somewhere in between the two because you're definitely not the gateway strategy. You have some gateway capabilities, but there's no way that you can ever beat a Seattle or Vancouver from reaching the Alaskan market faster by sailing time, or going south. There is some potential. You have the Hawaii. But the local sourcing and what I mean by "local" is really regional; it goes 300 or 400 miles away. It's a great potential for San Francisco and where the future is for growing.

This new terminal will give you that ability to embark on this growth model. We think that the next year or so, as the new ships are coming in place and are beginning to sell on a more regular basis rather than those that are passing by, is going to answer the questions. I think if they get the good yields that I think they will, you're going to see dramatic growth. It could be exponential growth because what will happen is that when one line is successful the other one will copy, and automatically you'll double up and size. Then growth slows down after that.

If that doesn't occur, if the yields are not good for whatever reason, you're still going to grow at a 3-5 percent rate, which is still a fairly healthy rate for most businesses, certainly for GDPs they are. So that question has yet to be answered over the next year or so. How the terminal is handled, how the business is evolving are going to be critical.

That brings us to the questions that you asked because it is an important component: how you're going to operate the terminal. Number one, are you getting the good financial return, the maximum for the Port, for its users, for the community? Are you using the right model? So the questions that we were asked were how do we compare? How do we stack up to other ports in terms of costs and operations and so forth? Give us a breakdown, more or less, how this business evolves in terms of where the money is going to, and how sensitive are the costs?

Basically, there are many costs that cruise lines pay when they come to a port. In particular, for this study what we looked at were the stevedoring charges, the loading and offloading of the vessels with stores, passengers, baggage, security in this case, and a few other things, line-handling, gangway operations. You have the tariffs that the port charges. In this case you already have a unitary charge, which is a one-time charge per passenger; then the port receives that money. Then there are security charges. There are other costs that the lines pay, but we're really not involved with those, such as tugs or pilots and things like that.

Those are the total port costs that basically exist. Basically the methodology was pretty straightforward. There are two sources for this information. Number one is



the port tariffs that are published with the FMC and that we can get from all the ports but, more importantly, we collected rates that are already negotiated between cruise lines and ports because a lot of ports in the United States have private agreements in terms of tariff reductions and in terms of volume.

What we did is we collected that. Every port operates differently in terms of how the tariffs are collected, how they're charged and so forth. What we did is applied it to three particular ships -- a large, a medium, and a small -- came up with a composite chart for that, and then came up with a per-passenger charge which is, at the end of the day, how they collect the money. They charge a customer for that. In all of these cases, we're showing a home port scenario in which the customer is counted as they're embarking, and then when they disembark a week later they're going through that.

This is a chart of different ports. You can see the different ways that things are charged. Some are charging dockage, wharfage, bundle rates, water -- just different things. Here's where it stacks up in terms of San Francisco and in terms of the money that you, as a port, collect versus other ports. The highest port is New York and Brooklyn. There's a discount to go to Brooklyn because at that point it was brand new. Everybody wanted to go to Manhattan, so there was a discount. You can see Seattle and Vancouver.

I put a few other ports in there so that you can see just a relative comparison. I always use Miami because it's the biggest cruise port -- so Miami, then San Francisco, San Diego, and L.A. Those to the south, those that are suffering the most in traffic, are lower than you are; those to the north are higher than you are. So, in fact, it's a nice even split. There's about a \$5 difference between you and Seattle, and there's a \$5 difference between you and L.A. You're in the middle. If the market is going up, you're \$5 cheaper. If the market is going south, you're \$5 more expensive. We think that tells you where your market is.

Now, the Port asked us, if we have any information on Europe? These are the similar charges for all European ports and North American ports. You see the orange is the European ports, green is North America, and the dark blue is you all. You can see that at the top of the list, even ahead of New York, you have ports like Southampton, Belfast and Dover. Now, to be fair to them, some of that includes about \$4 or \$5 that they charge for services they provide that we don't provide on this side.

In a way, you can compare that the most expensive of the European ports are on par with the New York ports in terms of charges. The biggest ports in Europe are Barcelona, which you can see is right under \$15, and you're about \$12.50; Amsterdam and Copenhagen, which are the ones into the Baltic; and then you can see the rest of them. You have a whole range in Europe going from less than \$5 per passenger all the way to \$20. Again, you're sitting in the middle. Per passenger you're probably ahead.

This is only relative because you're not competing against these ports. It's information that I think is important in terms of what people could charge. It has nothing to do with the name of the destination. We were talking about Barcelona, Belfast or Dover. Dover, particularly, is not a strong destination; it's just a port. They can charge more because they have the facilities, they have the demand. Therefore, they can gauge supply and demand. From a worldwide perspective you're very close to the median. In a competitive sphere, you're \$5 cheaper one way and more expensive than the other. So there is room there for improving your port tariffs.

The other charges, the stevedoring, land handlers, etc. We did a similar type of thing. We were able to collect actual bills the cruise lines pay for these services throughout the country from different sources. In a non-graphic way we can show you these are the stevedoring costs per passenger. You see Los Angeles is at \$9. San Francisco, if you have the lay day charge or without the lay day fee. The lay day fee is the fee that the lines pay to the operator, currently between \$21 and \$22. Seattle at \$17. New York is lower in terms of the stevedoring costs.

When we add the port fees, and then we add the security fees, it gives you this chart. I'll put it graphically so it's easier to see. You can see, then, where you stack up. You're the second-highest in this market. You're right below Vancouver in terms of the total port costs and on par, more or less, with Brooklyn; in fact, a little bit more expensive than Brooklyn or New York but significantly higher than L.A. So, again, the same pattern repeats itself. To the north you're comparable, to the south you're more expensive. So you're on the border here in between the two. So if you look at it in that context, you are the highest in the United States. Vancouver, which is not in the United States, obviously, is higher than you are; but your port fees are still lower than Seattle or Vancouver.

Now, what is the price sensitivity? There is huge price sensitivity. The cruise lines are very sensitive to the costs because that is their business model. Their business model is how can they sell their cruise at the most affordable price and, clearly, put as much to flow down to their bottom line as possible. In this case, the price sensitivity will boil down to one thing. I've shown you how you compare with other ports. It's really how is the cruise line operating. It's a source market from this region, in which case you have a lot of room to move up and down because you have a captured market, or are they flying people from someplace else and coming here; then you're competing against the others. We think that there is an ability to move up in the port fees. There's also an ability with the new terminal to achieve efficiencies that can make up for any additional fees that you have.

There are a number of case studies in price sensitivity that you can see. Ports that are nearby, Miami and Port Everglades, the two are almost exact, and it's basically a competition. There is a great example on the West Coast. Years ago L.A. tried to increase by \$20 their tax so they could pay for facilities. The bottom line is that one of their major customers moved and built their own facility and



now, many years later, L.A. is in a worse place than they started. It wasn't handled well. On the other side, in New York, where the lines really wanted to be, there was a lot of movement. We were able to almost double. You saw what the rates are for New York.

So the question is "How is San Francisco going to be treated?" What you charge is an important relationship but, in the end, it's what nets to the port, what falls to the bottom line. That's where the operating model really comes to play. The Port asked us to look at all the operating models that exist, look at what you're doing, and say "Does that make any sense?"

So first just a little bit of nomenclature. The terminal operator per se is a building manager. They maintain the building, they provide housekeeping, they provide traffic control, they help you market the facility, they schedule. Sometimes, in some ports, they operate the gangways or they do the ship spotting. In some places they do line-handling. In general, on the day the cruise ships arrive, the operator then gives way to the people that are actually doing the check-in and the stevedoring, and they basically are the people that you see around. All of those functions then move to the cruise lines, the stevedores and the ground handlers.

There are two basic directions. In the United States, by and large, the vast number it used to be that the Port Authority itself operated the terminal. The city provided. There was no third party in the middle. You can see here a little diagram showing you the folks that are doing that -- Miami, Port Everglades, San Diego, Canaveral. You can see that East Coast ports predominantly and San Diego are operating their own terminals. On the West Coast concessions were provided to companies; the exception is New York, which went ahead with that same model because it doesn't have the Port Authority. It's the city of New York that is now the owner of the facility.

You basically have two basic frameworks: Do you operate it yourself or do you do a concession? Here the tradition has been the concession. Once you do the concession, there are a number of things that we look at in terms of how you apportion what is a terminal operator. The vast majority of the drivers behind an operating model is who makes the investment. In many places they've tried to bring the operator since the operator makes the entire investment. Well, that hasn't worked anywhere because there's too much risk apportioned to the operator. In this case, you've already taken the risks. You've built the facility. You want to get the economic benefit. So that begins to drive the operating model that the terminal operator can take.

What the operators then want is a predictable cost structure to operate in a facility so they can know what they need to pay and how much it's going to cost them. Most of them are very manageable, except the heavy maintenance stuff. Nobody knows about the piers or the dredging and things like that, but everything else the operator can pretty well manage.



When a third party comes in, an operator, there are four different options. You can sell it; nobody has done that except Long Beach. Here's that operator. You can lease the asset, and that's rare in that you lease the whole asset and then the operator makes the investment and that's really rare. You have the management model -- like Los Angeles, Seattle, or Vancouver -- where those ports now pay the operator to operate the facility. Then you have a hybrid, which is what your proposal is here today.

Once you do that, you have five different ways of mixing who does what. If you look at the whole function of being the owner, the stevedore, the ground handler, the operator and the cruise lines, you can have one that you basically operate the terminal. You have independent stevedores. You have that one under which the terminal is operated by a terminal but everything else is independent. The stevedores are an independent company, ground-handling and so forth are independent. You have one in which the operator then becomes also stevedores, one single company, and then the others are independent.

There are different ways of integrating. One is that totally integrated model in which the terminal operator provides everything in the terminal, including ground-handling. Then you have an outsource model in which you, the port, says "I'm going to outsource the different pieces: janitorial, housekeeping, and so forth." The model that you have chosen is the one that we wanted to study to see how it related. One of the things that we did is we looked at the different cost structures that terminals have existing today based on the operational model. This chart tells you how many dollars per passenger these terminals are costing to operate.

The first one is San Francisco, which is your current basic model, more or less, how you're operating, it looks like, with your lay day fee. Basically, that's the lay day fee that it costs to operate. Then you have San Diego. You can see San Diego has a terminal operated by the Port Authority. You see how much it costs. Then you see Miami, which is operated by the Port Authority, without security and with security, and you can see that it's more expensive. You have Miami all in, which means the entire Port Authority goes in.

Then you have L.A. There were two models: the previous one that PCST had, which was Metro, and now the new one. As you can see, the new one is much more expensive to L.A. than the previous one that PCST has. Then you've got these other ones: Seattle, Singapore, New York. You can see in New York there are two separate ones, New York Ports America and New York total.

The conclusion we drew is that the model you have today is the least expensive model to operate a terminal. You have a very efficient operation, and the way that they're being operated is incredibly efficient compared to everybody else. You have a really good business model in terms of driving the costs down. As a result, when you take that revenue that we had at the beginning that you can charge, and you either add or subtract costs and in this case there's a proposal to pay your rent, San Francisco will actually be the best performing terminal to



the Port Authority in the United States or anyone that we looked at. Now, we haven't looked at all the hundreds around the world, but I can almost assure you that the model you have here is the best in terms of saying "I can charge so much, and this is what flows to the bottom line which, then, I can use to reinvest in the facility and so forth."

The conclusion is that the program that you have today, the model that you're going to propose to use and it's been proposed to you yields the best financial results. In this case, the operator has offered to share with you stevedoring revenue. We have not found anywhere else that has been the case. However, obviously, the key will be, moving forward, negotiating the details with the operator. You want to be able to align your interests so that we start at the beginning that the customer will receive impeccable results, that you, the Port, will get the highest yield, that the community will get the highest yield or you'll get the biggest job bang in the community as possible.

A careful, thoughtful process in the negotiation in terms of setting your KPIs moving forward and, in terms of structuring the agreement, that it works for all parties. It seems like you have a great framework to move forward with a facility. So I leave this one because now I turn the pie the other way around. What you need to do is create a structure that, moving forward, payment by the cruise lines is the potential revenue that's going to be divided up by all the parties. What you want to do is create a mechanism that, in the future that division becomes a fair division between all parties and that it reflects the risks and the rewards that each one has.

You want to minimize the potential charges to the line so you maximize your potential volume of passengers but, on the other hand, you want to maximize your revenue. We think this structure is the correct one. Although your costs are higher, we think that it's obviously supported by the market that you have here. We think that there is some room to move up on the tariff to get some more revenue. You have a good structure to be able to throw it all to the bottom line that you can as much as possible.

David Hill, Vice President of ILWU Ships Clerks Local 34 - Our offices are here in San Francisco. I would like to speak to you today on the manning clause that was part of the business plan presented to this Commission on September 5, 2013. There are a couple of items concerning Metro's manning that are factually incorrect based on their commitment to the union and our past meetings. We believe their statement about hiring a full-time Local 34 "mechanic" was meant to say a full-time Local 34 "clerk supervisor" and the hiring of a Local 34 "clerk supervisor" and a "Local 10 mechanic". There's also a statement in there about the hiring of a Local 94 foreman; I believe that was meant to say a "Local 91 foreman". There were several attempts to contact Metro about these errors prior to this meeting, but our phone calls went unreturned. I'd like to say that Local 34 has and will remain supportive of Metro Cruise. We look forward to providing the ILWU labor on the new Pier 27 cruise terminal, and we hope that we receive the same commitment in return.



Rene Ducroux - I'm the Labor Relations Committee Chairman of ILWU Local 34 Ships Clerks Association, formerly Marine Clerks. I'm going to go over a little bit of ground that David went over. I would like to point out that at the May 14, 2013 Port Commission meeting, ILWU manning for special events was discussed as part of Metro's presentation. That same commitment was made to the ILWU by Metro and Stefano at meetings held prior to the May 14th Port Commission meeting. That commitment was that the minimum manning for special events would be multiple Local 75 steady guards, a steady Local 10 gearman, a steady Local 34 chief supervisor and a steady Local 91 foreman.

This commitment made by Metro and Stefano to the ILWU was not accurately reflected in the September 5, 2013 memorandum, which are the supporting documents under Metro's business plan. In fact, informationally the ILWU manning as stated is grossly inaccurate and incomplete. I just wanted to quote from the supporting documents which you all have. They state on Page 4: "Metro proposes that the labor force for cruise operations will remain unionized in accordance with ILWU jurisdiction. The amount of labor and number of man hours will be comparable to current levels on cruise days."

However, the characteristics of the new Pier 27 facility with its public access requirements will require additional security and maintenance workers as negotiated in the management agreement. Metro has proposed adding these positions: (1) three new full-time 24/7 ILWU Local 75 security guards for the entire Pier 27 site, including the northeast wharf plaza and the public access areas; and (2) one full-time ILWU Local 34 maintenance mechanic and one full-time ILWU Local 94 foreman. Just to point out, there's no such thing as an ILWU Local 34 maintenance mechanic. There are ILWU Local 34 marine clerks and there are ILWU Local 10 mechanics. It should have read "gearman". As far as Local 94 foreman, that relates to L.A. It should state "Local 91".

While we're pleased that our employer Metro was selected to run the cruise terminal, it is imperative that Metro and Stefano live up to their commitment to union jurisdiction and that this body hold them to that standard. These areas in this plan need to be corrected. Local 34 marine clerks will continue to perform the work assigned to them through the contract and committed to us by Metro, both during the cruise operations and special events. All of the ILWU locals, 10, 34, 91 and 75 are excited about the new opportunities presented to us regarding Pier 27, and we thank you.

Mike Villegiante - I wanted to thank everybody that came to the 150th celebration at the ILWU local hall. It was a success and the public did enjoy themselves. I just wanted to say that I've always known that San Francisco is one of the highlight places in the country to come to. I know that the costs are a little higher here but, as everybody that lives in this area realizes, the cost of living is a lot higher here. Moving forward, I have had discussions with Stefano and Metro, and we plan on meeting on the September 18th to talk about some of the logistics and some of the manning issues going forward with this operation. I



believe that there could be a resolution in getting the right type of manning going forward, but it definitely is going to include the ILWU at this facility to make it successful. I've heard some different things about making it more proficient and a better operation. There's a lot that labor can do to show that, some of the designs of the facility. Those are some of the things that we want to talk to about loading the ships in a proper way with stores. The way the ships are going to have to be docked there for the stores to be loaded are going to be a challenge at times because some of the area is not set up for it yet. Moving forward, I think that it's going to be very much a success. I appreciate your time. I think that when we meet and we discuss and break down the operation, it's going to work. Local 10 is onboard with 34, 91 and 75. I appreciate your time.

Commissioner Brandon - I would just like to thank you for a very thorough presentation. That was wonderful and very easy to understand. I'm glad that everyone is working together and we're resolving all the outstanding issues, and that we've come up with a really good plan of action to move forward. This is really exciting. Thank you, everyone.

Commissioner Adams - First of all, I want to say to my guys from Local 34 you should have been at that meeting about five or six weeks ago. What you brought up was done with. John Doll was here. You guys weren't here. The only people that showed up were Mike Villegiante and Ed Ferris. You didn't show up. Those issues were brought up, they were amended, and the right things were put in. I just wanted to tell you that.

Secondly, to your presentation: I really appreciate that, and I'll just tell you why. As we Commissioners have talked about and discussed, San Francisco is a marquis city like New York. And New York, like San Francisco, sometimes is hard to market. But I see the potential here that we can market this city; we should. We saw how he broke everything down and stuff like that. I think we're positioned, as we continue to work, we can double the amount of cruise ships coming into the Port of San Francisco; but I think it's going to take some heavy lifting.

My brothers from Local 34 and 75, you weren't here. I'll tell you what I said to Stefano that day. I said it to the Port, and I'll say it again. In order for us to get where we need to get, it's going to take some heavy lifting from the operator, which is Metro, the Port of San Francisco and the ILWU. We're going to have to go out together to market these issues. If you had been at that meeting, this Commission told Metro and the Port and also the ILWU, "If there are any kinds of labor problems, any kinds of problems, we want them worked out. We want people to come off the ship in this city and see the professionalism from Metro, from the ILWU and the Port of San Francisco. We're marketing hospitality. That's what we have to do.

You heard Luis Ajamil say that Vancouver used to have all the cruise ships up north. Then Seattle got into the business. Seattle took a lot of Vancouver, Canada's work. Seattle is almost hitting a million passengers a year. Not long



ago San Diego was about 900,000 passengers; they're about 275,000 passengers now. So what we have to market is a good attitude, a good team spirit, and try to work these issues out.

Also at that meeting I was clear with Stefano about some of the issues with some of the personnel that he had at Metro and how we have to work together, but also the ILWU, and that I expect our guys to be professional and work with Metro, work with the Port, and do all the heavy lifting that we need to do. I'm going to be going with the Port down to New Orleans. Mike Villegiante from Local 10 will be going. We're going to be sitting down with Metro and we're going to be talking about how we can better this port.

We have a great opportunity here, where we're at today, with cruise ships. There's a desire that people want to take cruises. We have an opportunity within maybe four or five years to double the amount of cruise ships. Next year the James R. Herman Cruise Terminal will be opening. That was named after our second president of our union. We have to step up very tall to show Jimmy that honor because he was the president of the Port Commission and because of what he did, and our commitment, his ILWU members and his community.

This cruise terminal is the only terminal in this region. This belongs to the Bay Area. Oakland doesn't have one. People want to come here. We want them to come here. Let's work together, let's get this done, and let's do everything that we can to market San Francisco because we already have the marquis name. That's all I'm going to ask. I appreciate you guys all coming out today, I appreciate the efforts.

Sometimes when you don't come to meetings you miss out. If you had been at that meeting, you would have known that I called John Doll and Peter Dailey, and they made the corrections. They got Local 91 in there. They talked about Local 10 doing the maintenance and repair, and they talked about Local 34. So I just wanted you to know that was taken care of, if you had there.

Commissioner Woo Ho - My fellow Commissioners have said a lot. I just want to thank Luis again for a great presentation. We had a conversation earlier today, so we're fully informed. We want to thank the staff, as well, from Monique on down for making sure that as we get down to putting together what our final negotiation proposals will be with the operator, with labor that we have thought through this very carefully. Today is just another chapter in making sure that we have all the right input.

We feel fortunate that what we've heard today is validating, that the business model and the track that we're on is a good one. It's good for the city, it's good for the Port, good for labor, good for our cruise passengers. We're trying to be very thoughtful about how we get this because we have some time to put this thing together right. I hope that's been the purpose of why we're spending time on this. We're on the right track. It sounds like we have a few wrinkles here and



there, but we'll iron those out. I want to thank everybody involved. So let's move forward.

- B. Request approval of First Amendment to Landing Rights Agreement License No. L-15209 with Tideline Marine Group, Inc. extending term, expanding permitted uses, establishing a minimum landing fee, setting minimum performance standards and modifying the Port's revocability rights and terms for Licensee default. (Resolution No. 13-33)

Peter Dailey, Maritime Director of the Port - This is my favorite Commission meeting. We've heard presentations on ferry boats, cruise ships; now we've got water taxis. About a year ago the Port issued an RFQ looking for interested parties and establishing a non-exclusive water taxi service to three Port locations: Pier 40 at South Beach, Hyde Street Harbor, and Pier 1½ right next to our offices.

Shortly after we put out the RFP, the Port Commission approved the selection of two operators: Tideline Marine Group Inc., who has been successfully operating for the last year; and another company called San Francisco Water Taxi out of Pier 39, who will commence operation in the next 10 days, just having purchased two boats that are currently docked at Pier 54.

Tideline has been the first company to dip their toe into the water, and they've had some very good success. They've been making significant progress in establishing a viable water taxi service for San Francisco in an unproven market. They have, in the past year, taken nearly 3,000 passengers in and around San Francisco, providing services 24 hours a day, seven days a week. They've had several hundred calls into our facilities.

If you think about it, it's a great service. If you live in Marin, you can take the boat and end up at Pier 1½, have a wonderful dinner at one of our great Embarcadero restaurants, get back on the boat and go back to Marin or vice versa: If you live in the city, you can get on the boat at Pier 40 after a ball game, go over to Sam's or someplace in Marin County or Jack London Square and have dinner.

Tideline, along those lines, has negotiated a number of different landing points in Marin and in the East Bay, and now they believe they are positioned for substantial growth. Their demand has been increasing. They have these new facilities that they have been collaborating with other entities. Now they're looking to expand their market and have asked the Port to consider an amendment to their original landing agreement of last year.

The proposed amendment will enhance Tideline's ability to attract investors and grow their fleet and their businesses. They believe that these changes will allow them to about double their revenues in the near term and essentially double their capacity providing services to the Port. The proposed amendments are detailed in the staff report, but the key changes are an extension of the original term. The



original term was five years with a five-year option. They've asked for an additional five years, so it would be a 10-year deal with a five-year option.

The Port has actually asked and they've agreed to the establishment of a monthly license fee of \$300 per month or 7 percent of sales, whichever is greater. Currently there is no minimum landing fee; they just pay 7 percent of the ticket sales. We had originally attempted to do that at \$15 per landing, but it's easier administratively to make it a \$300 per month minimum fee. In consideration of these changes, we've negotiated new performance standards. Tideline, if they get what they're asking for, will have to provide at a minimum an average of five paid landings per week to a combination of any of the three Port facilities and, most importantly, acquire a new vessel. Right now they operate one vessel.

If they get this approval, they will have financing capability to acquire a larger vessel that will be able to handle more than six passengers. They're limited to two now based upon the Coast Guard certification. If they are unable to get the new boat or they are unable to meet the minimum standards of average calls to our Port facilities, this amendment will become null and void and they will revert back to their original agreement without the extended term.

Tideline has established this market. They've been successful. They have financing in order to buy a larger boat and provide more service to San Francisco. Last week Director Moyer, the Mayor and I were able to get on tour and go out to Sausalito in the morning on their boat. I was in my suit and tie; I didn't get a splash on me.

We're very excited about the opportunity. I think that their request is fair. They are poised to invest a lot of money. Boats are not cheap. I'll be glad to answer any questions that you might have, and representatives of Tideline are here, as well.

Captain Taylor Lewis – We would like to thank the city in particular for its work and effort in helping us get these amendments on the docket here today. We know how much time and consideration the staff has to put into this. We appreciate the assets and time.

Veronica Sanchez speaking on behalf of the International Organization of Master Mates and Pilots - I'm here on behalf of Captain Ray Shipway, who regrets he can't be here today but he's had back surgery and he's not feeling well at all. We are very happy to be here in support of this amendment, and we thank the Port's staff for working with Tideline to develop this amendment and bring it before you. We want to let you know that Tideline has been a union company from the very first day that it started operating. As you know, maritime union jobs are very hard to come by. Over the last year, since you approved this agreement, we've had five members working for this company; and with the growth potential in the fleet that is planned, we could see those numbers growing to 15. We are strongly in support of this amendment. Captain Shipway



tells our headquarters people back in Maryland, he explains it as "This is a start-up, okay? But we're fully behind this start-up because we know it's going to produce jobs. We're going to be patient. We're going to work with this company and give it every opportunity that we need to provide the crews." Our union has found a great partnership with this company. It is different being in business with a president that sometimes skateboards to our meetings, but it's very refreshing; and we are very excited by this opportunity. Thank you very much.

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution No. 13-33 was adopted.

12. FINANCE & ADMINISTRATION

A. Informational presentation on the Port's Year-End Report on Contracting Activity for Fiscal Year 2012-13 (July 1, 2012 through June 30, 2013) and the City's Local Hire program.

Elaine Forbes, Deputy Director of Finance and Administration – I'm going to present our Contracting Report that goes over the contracting activities for last fiscal year, 2012-13. The scope of the report you have is for Port contracts for professional services and construction. In the report we go over the use of our executive director's delegated authority, local business enterprise subcontractor participation, the LBE program, in terms of contracts awarded and the goals in those contracts and contracts made, and also the local hire program results.

I'm joined today by Finbarr Jewell, who is with the city's Contract Monitoring Division. He is the representative to the Port. He can answer questions about the LBE program. We have a special guest from OEWD, Mr. Pat Mulligan, who is the Director of the City Build program. He is joined by Ken Nim, who is a workforce compliance manager. As you will recall, at the second-quarter report there were some questions about the local hire program, and we thought it would be a good time to have OEWD discuss the program, its requirements, and how it's going.

As a reminder on delegated authority, it streamlines the contracting process and is consistent with the rules of other city departments, and allows our executive director to execute public works contracts and related contracts to public works under Chapter 6 for \$400,000 and professional service contracts under Chapter 21 for \$100,000. Our executive director did sign four contracts under delegation, all for professional services. One was for coaching, and the other three were for the 150th anniversary. I would like to point out that the 150th anniversary, all three of those contractors are micro-LBEs. We've had very good success with our micro-LBE set-aside program here.

I'd also like to note that due to an administrative oversight from my team, the Molly Dugan contract went out for \$10,000 more than it should have; but the expenditures are far below delegated authority. We've changed our internal



protocol, so that won't happen again. Just as an update for those newer Commissioners, the LBE program was established to expand city contracting opportunities for San Francisco's small, local-based companies. It's based on gross receipts, "gross receipts" meaning from micro-LBE. Construction from micro-LBEs is \$7 million and \$14 million for LBEs. For professional service contracts it's \$1.25 million for micro-LBEs and \$2.5 million for LBEs.

Prime contractors that are submitting bids for professional services receive rating bonuses and for construction contracts receive bid discounts. The city's Contract Monitoring Division sets an LBE subcontracting goal for applicable contracts so that there are LBE subconsulting opportunities. They set these subcontracting goals based on the scope of the work and the available pool of LBEs. Those goals must be met by bidders to be deemed responsive, and they must meet the subcontracting goals by the end of the contract. I'll leave it to Mr. Mulligan to describe the local hire program.

Regarding awards this last fiscal year, we had 10 contracts that were awarded that total an amount of \$17.4 million. Of those, six were within 14B requirements. They have a total requirement of 24 percent LBE, which is quite good. We will see better results next year as a result of having such high participation requirements. For those contracts that were not under 14B: Two were related to the Pier 29 fire, which was a very unusual circumstance because those were let under emergency provision. The others were small, awarded to two small contractors, under \$50,000. Again, one of those was a micro-LBE.

In terms of spending on contracts last year: We had a huge year in contract spending, as you'll see going up and down the waterfront with completed projects, \$73.4 million in LBE contract expenditures, \$12.9 million to LBE subcontractors. This equates to 18 percent of the total contract expenditures to LBEs. It's a million more than the CMD goals would require. Again, they will determine compliance at contract closeout, but just looking at a year in time we're doing a million dollars better than the goal. It is 2 percent below the Port Commission's policy goal of 20 percent.

For as-needed contractors, we're trending very well: 22 percent of payments to LBE subcontractors. Environmental-related services were especially strong at 31 percent. Engineering work was tracking very closely to the goal. We are working to remedy potential problems in the real estate economics contracts, which is detailed in the report. Doing these reports quarterly and on an annual basis is a very good compliance review for staff, as well. It allows us to see early if the trends need intervention.

Professional services are trending above CMD goals, 17 percent versus 16 percent. It was an unusually low year for professional services spending to LBEs. If you look at all open contract spending today, we're at 41 percent LBE participation. That indicates that looking at contract spending at any point in time can skew results because LBEs are used sometimes later or at the end of a contract. Most contracts are outperforming CMD goals, and we will be providing



more LBE opportunities for our Financial Advisory Services Contract before that contract is closed. For construction: Construction is trending also above the CMD goal, 17 versus 15 percent. The vast majority of construction contracts are on track or exceeding the goals. Maintenance dredging contracts on Pier 50 projects have required CMD review and have had difficulty meeting their requirements.

To highlight our results: The contracts that were let last year have a cumulative participation goal of 24 percent for LBEs, which is very strong. We made \$12.9 million in payments last year to city-certified LBE subcontractors, which is a record year. Most of our contracts are meeting or exceeding their CMD-required goals, and the compliance work is very good for staff and project managers to stay on track. We're also looking at new opportunities in our micro-LBE program set-aside, and were seeing strong results with the public relations work. I'm going to turn it over to Mr. Mulligan from OEWD to describe the local hire program.

Pat Mulligan - The Office of Economic and Workforce Development's mission is to support the ongoing economic vitality of San Francisco under the direction of Mayor Lee. OEWD provides city-wide leadership and workforce development, business attraction and retention, neighborhood commercial revitalization, international business facilitation, and development planning.

City Build is a program within the Workforce Division of OEWD with three main objectives: to maximize employment opportunities for San Francisco residents in the construction industry, to support construction training through opportunities for the purpose of job placement, and to assist contractors in meeting their workforce requirements.

The mandatory local hiring ordinance, San Francisco Administrative Code 6.22(G), applies to contracts for San Francisco public works at or above \$400,000. So that's the trigger threshold. It's 20 percent of total work hours by trade for San Francisco residents in the first year with a 5 percent annual incremental increase over seven years up to 50 percent by trade and, throughout the duration, 50 percent of all apprentice hours per trade by San Francisco residents. The percentage is determined by the date of advertisement, not award. You can see on the left there's a brief overview of the seven-year period. The third and sixth year are identified as review periods, and I'll get into that more later.

The penalties associated with the local hire ordinance are equal to the number of hours deficient in each trade multiplied by the prevailing wage of that trade as determined by the California Department of Industrial Relations. Contractors and subcontractors are jointly liable for not meeting hiring requirements and if a project is deficient in any trade, OEWD will work with a prime contractor to develop a corrective action plan to avoid assessment of penalties.



So with that, there are off-ramps and exemptions. If a contractor is unable to meet local hiring requirements, penalties may be avoided by completing one or more of the following: by sponsoring or indenturing a new apprentice and retaining those apprentices for the duration of a project, or they may receive offsite credit by employing San Francisco residents on non-covered projects within the Bay Area.

Trade is exempt from the local hiring requirements if it is less than 5 percent of the total work hours of the project or if it's included in OEWD's list of exempt trades. There's a short list that includes marine pile-driving, crane operators, any of the tunneling crafts, stainless steel welding, iron worker connector, electrical utility worker, and millwright. Those are actually the specific trades that are exempt under the ordinance.

It is currently in its third year so, per the ordinance, it is under legislative review. That means that during this period up till March 25th the Board of Supervisors can make any adjustment to this ordinance by single vote, by simple resolution. In anticipation of this, Mayor Lee has appointed a Construction Workforce Advisory Committee to make recommendations to the ordinance. The committee members are 12. Three city department heads are represented: Harlan Kelly, General Manager of San Francisco Public Utilities Commission; Ed Reiskin, Executive Director for San Francisco Municipal Transportation Association; Mohammed Nuru, Director of San Francisco Department of Public Works.

There are three Labor representatives: Bob Alvarado, the Executive Secretary Treasurer of the Northern California Carpenters' Regional Council; Oscar De La Torre, who is the Business Manager of the Northern California District Council of Laborers; and Tim Donovan, Business Manager/Financial Secretary of International Brotherhood of Electrical Workers Local 6. There are three Contracting representatives: Kent Lim, President of Kent Lim & Company, Inc.; Bob Nibbi, President of Nibbi Brothers General Contractors; and Jes Pedersen, President and CEO of Webcor Builders.

There are three Community representatives: Florence Kong with Build Bayview; Joshua Arce with Brightline Defense Project; and James Bryant, Regional Director for A. Philip Randolph Institute. I believe James is with us here today. This body is currently meeting regularly to formulate recommendations to the Mayor for consideration, as the policy is currently under review.

Here is some data city-wide for projects that were posted with the 20 percent requirement as well as a 25 percent requirement. It's broken down by city department. There's "total hours," and then on the right "apprenticeship hours". If you look under the 25 percent, both for the Port and MTA, there are no reported projects to date that were advertised or awarded with the 25 percent requirement. So that's why there's that gap there.

Specifically to the Port we have breakdown by trade for overall Port projects. You can look at the total hours by trade and also apprentice hours. Just a note:



The 19 percent for sheet metal worker, there is an exemption for stainless steel, but I think "under 5 percent" was also a reason for that lower percentage. Also pile-driving, the marine pile-driving exemption is why that's under, as well.

As was stated, there are four active projects valued at a total of \$79.4 million that are subject to the local hire with 20 percent: Pier 27, Brannan Street Wharf, Pier 33½ and Pier 50 alley substructure repairs. All four projects have satisfied local hire or are on track to meet their local hire requirements, and conditional waivers for offsite credit and apprentice sponsorships have been utilized to meet the mandatory requirement.

The pipeline to meet this increasing need for construction workers is, in part, accommodated through the City Build Pre-Apprenticeship Training Academy. It was founded in 2006. It's an 18-week curriculum in partnership with City College of San Francisco, local CBOs, trade apprenticeship programs, and construction employers. They're eligible for college credit and financial aid participating in this program. The minimum requirements are a high school diploma, GED, valid driver's license, and ability to pass a drug test. Those are industry requirements; those aren't ones that we impose.

Curriculum and certifications: Their curriculum is a general construction hands-on training, construction math, construction safety, intro to welding, blueprint reading, labor studies and life skills with certifications in OSHA 10, CPR first aid, HAZWOPER, scaffold/stairway/confined spaces, fault protection, forklift, scissorlift, skid steer and traffic control. Our apprenticeship partners currently are the carpenters, laborers, iron workers, cement masons, plasterers, sheet metal workers, and operating engineers.

In addition, we support the Construction Admin Training Program founded in 2009. It's also an 18-week curriculum, non-credit, in partnership with City College, local CBOs and construction employers. The minimum requirements are a high school diploma or GED. The curriculum is Microsoft Office; QuickBooks; introduction to construction terminology; cost estimating, scheduling and contracts. And then lastly employer partnerships: Herrera Bolt, Swinerton Builders, Webcor, DPR, Kent Lim & Company, Consolidated Engineering Laboratories, and Marelich Mechanical.

Commissioner Brandon - I do have one question. That first slide regarding the one- to seven-year period, what is the one- to seven-year based on? We're at three years now, and we're at a certain percentage. Is the goal to get to 50 percent over time?

Pat Mulligan - This was a legislative decision and a political decision. I believe that this was a compromise. There were a lot of advocates for 50 percent. That had really been a threshold that had been held out by some of the redevelopment agency provisions going back almost 40 years. That was a threshold that people held very close to.

There was pushback within the industry saying that was an unreasonable expectation, especially in a short period of time. They figured there needed to be time to implement sufficient pipeline in order to meet this growing demand and the legislative requirements, which is why also the review period was built into it so that we could assess it in the third year to see do we have sufficient pipelines and what is the direction of this industry.

As we all know, this was a piece of legislation that was put into effect during a recessionary period, where construction work hours were off almost 50 percent. It was easy to meet the demands initially. They went from about 17-18 percent city-wide to 35 percent just in the first year of implementation. So there was an immediate impact. But, as we have this rapidly expanding construction market as well as a lot more infrastructure and public works projects coming online that are covered by the ordinance, it is dramatic. We are actively looking at this, and we're taking market analysis to make some comprehensive recommendations towards construction workforce, also taking into consideration the city's provisions for first-source hiring, which are not as restrictive but cover most private development throughout San Francisco.

Commissioner Brandon - Have any penalties been implemented so far?

Pat Mulligan - The off-ramps are very generous. We've been able to utilize those to date to avoid liquidated damages. Entering the third year, it will be difficult to avoid in some situations; but employers have every opportunity to utilize these off-ramps. Our goal is not to penalize contractors but, rather, to put San Franciscans to work. That's our goal, and we've done our best to try to avoid liquidated damages. We're also careful to see the economic impact on public works projects associated with this. We've worked closely with the city economists and, to date, not only have we not administered any liquidated damages but we can say that there's been negligible cost impact to the city associated with this ordinance.

Commissioner Brandon - Regarding the report, I want to thank you. It's been a great year and even though we didn't meet our self-imposed goal, we're very close to it. I want to thank Director Moyer and the entire staff for really taking these goals seriously and trying to make sure that we are doing our part and making sure that San Franciscans and LBEs are working. Thank you so much.

13. PLANNING AND DEVELOPMENT

- A. Request (1) a rescission of Port Commission Resolution 12-90, (2) endorsement of the PG&E ZA-1 Embarcadero-Potrero 230kV Transmission Project Revised Term Sheet and (3) authorization to enter into a Negotiation Agreement with PG&E, all related to onshore and submerged Port land between Pier 28½ and the foot of 23rd Street and PG&E parcels Block 4110 (Lot 008A) and Block 4120 (Lot 002) located at 22nd and Illinois Streets. (Resolution No. 13-34)



Brad Benson, Director of Special Projects - This is going to be very familiar to the Port Commission. Port staff presented a term sheet for this important transmission project back in November of 2012. Essentially, we're back before you today with a revised term sheet. We've been negotiating with our partners at PG&E, represented today by Ontario Smith and Grady Mathai-Jackson, and have some new public benefits to share with the Commission associated with this term sheet.

PG&E maintains the transmission system serving the city with the exception of the Trans Bay cable, most of it coming up the Peninsula. They have proposed a new 230kV transmission line to provide redundancy to power service to downtown San Francisco. You'll remember that there were some rolling blackouts that affected downtown. That started PG&E on the path of looking at how to make sure we have reliable service to the city. The Board of Supervisors got involved at that time and were looking at a number of transmission upgrades to the city and endorsed a whole package of upgrades. This is one of the most important upgrades.

Right now downtown is served by a 115kV system that runs from the Potrero substation at the foot of Potrero Hill to the Embarcadero substation. There are major concerns that if there is an earthquake that happens that transmission line could get severed, and it would take some time to get the power service up to downtown San Francisco.

There are a number of proposed routes for this redundancy upgrade. One would involve submerged Port property. As I mentioned before, the Port Commission has previously endorsed a term sheet for the proposed project, and we have negotiated significant changes to that proposed agreement for your consideration today. PG&E has been hard at work during the same period of time. They've been working with the California Public Utilities Commission and just recently have published a draft Mitigated Negative Declaration in compliance with CEQA that is undergoing public review and comment right now.

Here are the routes that are being considered by the CPUC. There are two upland routes shown in green and red, and then the submerged route is shown in blue. All three routes would provide this redundant transmission upgrade from Potrero to Embarcadero. The blue line would go underneath city streets, and then there would be directional drilling into the Bay just north of Pier 30. The route would run about three miles and then follow the Trans Bay cable alignment up 23rd Street to get to the Potrero substation. Once at the Potrero substation, part of the project envisions building a new 230kV enclosed switch yard next to the existing switch yard in a much smaller footprint on about an acre of the NRG site just to the south of Pier 70.

There are a few approvals required for this project. The CPUC is the lead agency for the project. They're analyzing the project from a reliability perspective, just to see that it provides the benefits that it promises. They're also



managing the CEQA process. CPUC will be collecting comments on their draft Mitigated Negative Declaration up through September 16, 2013 in writing.

Both the Port Commission and the Board of Supervisors will have approval over the final license agreement for the project, which would come after CEQA is complete. There may be some ministerial permits that the Port and DPW would have to issue. There are various state agencies that regulate construction in the Bay, including the Regional Water Quality Control Board and BCDC that may have to issue permits, as well as at the federal level the Army Corps of Engineers.

Getting to the terms of the revised term sheet: The basic premises are the same as what you saw last November, as is the term. What's contemplated is a 40-year term license agreement, with one 26-year option to renew up to the 66 years provided in the Burton Act. PG&E is proposing a prepaid rent structure so that the Port's rent would be collected in two lump sum payments expected in 2014. We expect \$14.8 million divided into two payments. The Southern Waterfront Community Benefits Policy would apply, so there would be big deposits in that fund, as well.

For the option-period rent, PG&E would have the option of paying an annual rent or, again, a lump sum rent calculated much in the same manner as this initial rent.

We mentioned, when we were here in November, that a major public benefit the Port staff had been negotiating for was the ability to buy some property right near the Potrero substation that's called the "Hoedown Yard". It's an area where PG&E does a number of industrial operations, including storage of excavated soils from utility operations.

If you'll recall, 22nd Street is planned to be a major entrance to the Forest City Waterfront Site development. We believe at the city staff level that there needs to be a change of use at this site in order to facilitate that development, so we've negotiated an option price. Under the revised agreement, the Office of Economic and Workforce Development would have the option, and Forest City Development would rezone the Hoedown Yard for a new commercial or residential use.

The great thing about this new structure is it provides an additional potential public benefit that the improved land value, that's the difference between the \$8.3 million that OEWD would pay for the property and what it would sell for its improved use, would go to a project that's very important to Mayor Lee, the Hope 6 project at Potrero Terrace and Annex, which is just completing its environmental review right now. It's a rebuild of an important low-income housing project in the city and a whole new neighborhood.

Another public benefit that we've been negotiating with PG&E is figuring out how that existing Potrero substation could be improved to allow for all the



development in the Pier 70 area. This area of the waterfront really has been dedicated to providing power to the city. There was the Potrero power plant that closed some years back, occupying the site just to the south of Pier 70, and then this switch yard, this major substation. As we're thinking about repurposing this area of the waterfront, we have to think about how to treat these old power facilities in a manner that will accommodate growth.

We've been looking with PG&E's help at two options: either screening the substation with a utility screen that would go around the perimeter of the project or the substation, or potentially enclosing the existing substation in a building. That's what you see in most of the mixed-use neighborhoods around the city. The Embarcadero substation is enclosed, the Larkin substation is enclosed. We think that might be a great option, as well. Under this proposed agreement, the city would have the right to select its preferred option, and PG&E would seek the rate approvals and the regulatory approvals for that city-preferred option.

The timeline has not significantly changed since we saw you before. We're in the middle of CEQA review; that should end at the end of this year. We could be back to you with a proposed license agreement in early 2014. Then construction would start, with operation as early as 2015.

As to our recommendations and next steps: The resolution before you would rescind your prior resolution endorsing that prior term sheet, authorize Port staff to enter into this revised term sheet. Then we would go to the Board of Supervisors with the term sheet. Our expectation would be that we would bring it to them for their consideration this fall and make sure that the terms are acceptable to the Board. After the CPUC completes the CEQA process, then we would come back to you for final action.

Commissioner Brandon - So the preferred route is the blue line which is under water.

Brad Benson - Yes.

Commissioner Brandon - Is that the most cost-efficient way?

Brad Benson - PG&E would be better positioned to answer that. It's certainly better from the Port's perspective because that's the means by which we're able to charge rent. We think that it's also cheaper for the project overall than digging up city streets and putting the transmission in.

Commissioner Brandon - But we're only involved if it's the blue route?

Brad Benson - Yes, the only one that we would be involved in is the blue route.

Ontario Smith - The blue line is cost-effective. We think it is the most reliable route. It's the route that we studied in our Mitigated Negative Declaration, which clears the environmental hurdles. The other benefit is that it minimizes the



impact on public streets. We're not digging and trenching through streets, which is going to be impactful to the residents of Potrero Hill and of SoMa, as well.

Commissioner Brandon - The only line that affects us is the blue line so the orange or green line we have nothing to do with?

Brad Benson - Although I think one of the other lines it actually crosses is Islais Creek so we would have a very small license for a portion of that route.

Commissioner Brandon - For the Hoedown Yard, who will be responsible for remediation if there is a need?

Brad Benson - The site has gone through a regulatory process, and I believe that they've got site closure for the Hoedown Yard. There's a deed restriction on the site. We've been monitoring PG&E's environmental efforts with respect to both the Hoedown Yard and all of the former Potrero power plant site, including some of those submerged lands offshore. Carol Bach is our environmental manager who's been monitoring that work.

We think the costs to clean up that Hoedown Yard are pretty small to residential standards. probably in the neighborhood of about \$600,000. We're buying the property on an as-is basis. What would happen is we would sell the property to a future developer. They would either clean up the site further if they were going to do residential use, or they would leave it as it is and build a commercial use, which is allowed under the current closure.

Commissioner Brandon - So we will be responsible...

Brad Benson - Or the developer.

Commissioner Brandon - Where is the Hoedown Yard going to move to?

Brad Benson - We had some discussion about this at the last Port Commission meeting, and I think the Commission had expressed a preference that it not move to Port property. We've heard that, PG&E has heard that. So we can't tell you where it's going to move to. That will be part of PG&E's due diligence over this next period of time, finding an alternate location for that use; but I think we can report to you that it won't be on Port property.

Commissioner Brandon - Thank you. The Southern Waterfront Benefit Fund, the \$665,000, what is that based on?

Brad Benson - I think that number is wrong.

Commissioner Brandon - I think so too.

Brad Benson - I need to recalculate that number.

Commissioner Brandon - I come up with closer to \$1.2 million.



Brad Benson - That's what I was calculating, as well. I need to check whether or not the 8 percent reflects what the current fund contribution is in this year's adopted rental rates schedule. We will get that information to you. As we've told you in the past, the contribution to the fund will be consistent with the Port Commission's adopted policy, so it could be as high as \$1.2 million. Nice catch.

Commissioner Woo Ho - I am not 100 percent clear on what the revised versus the current proposal difference is, so just in three or four sentences tell me.

Brad Benson - We've moved from an annual rent structure to a prepaid rent structure. We've been contemplating prepaid leases in other deals along the waterfront. We've negotiated a new provision for the screening of the substation. That's probably the major improvement to this term sheet. We've got some rough cost estimates for the value of that. We can't really tell you what it will cost, but it could be between \$10 million and, if it's enclosed in a building, it could be as much as \$50 million of expense. Then the option to acquire the Hoedown Yard shifted from the Port to the Office of Economic and Workforce Development. I think we concluded at the staff level that, as the Port, it doesn't really make sense to acquire non-trust property for non-trust development purposes.

Commissioner Woo Ho - That's it, right?

Brad Benson - Yes, those are the major changes.

ACTION: Commissioner Adams moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor. Resolution No. 13-34 was adopted.

14. NEW BUSINESS

15. ADJOURNMENT

ACTION: Commissioner Brandon moved approval to adjourn the meeting. Commissioner Adams seconded the motion. All of the Commissioners were in favor.

Port Commission President Doreen Woo Ho adjourned the meeting at 5:32 p.m.

SAN FRANCISCO PORT COMMISSION

Doreen Woo Ho, President
Kimberly Brandon, Vice President
Willie Adams, Commissioner
Leslie Katz, Commissioner
Mel Murphy, Commissioner

Monique Moyer, Executive Director
Phone: 415-274-0400; Fax 415-274-0412

Amy Quesada, Commission Secretary
Phone: 415-274-0406; Fax 415-274-0412

AGENDA **TUESDAY, SEPTEMBER 24, 2013** **3:15 P.M. OPEN SESSION**

PORT COMMISSION HEARING ROOM, SECOND FLOOR
FERRY BUILDING, SAN FRANCISCO CA 94111

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Port Commission are posted on the Port's Website at www.sfport.com. The agenda packet is also available at the Pier 1 Reception Desk. If any materials related to an item on this agenda have been distributed to the Port Commission after distribution of the agenda packet, those materials are available for public inspection at the Port Commission Secretary's Office located at Pier 1 during normal office hours.

09-20-13P03:56 RCVD

1. **CALL TO ORDER / ROLL CALL**
2. **APPROVAL OF MINUTES** – September 10, 2013
3. **PLEDGE OF ALLEGIANCE**
4. **ANNOUNCEMENTS**

GOVERNMENT
DOCUMENTS DEPT

SEP 20 2013

SAN FRANCISCO
PUBLIC LIBRARY

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

5. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during Public Comment Period. A member of the public has up to three minutes to make pertinent public comments. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406. No Commission action can be taken on any matter raised during the public comment period for items not listed on the agenda other than to schedule the matter for a future agenda, refer the matter to staff for investigation or respond briefly to statements made or questions posed by members of the public. (Government Code Section 54954.2(a))

6. EXECUTIVE

- A. Executive Director's Report
 - 34th America's Cup Final Match – September 7-21, 2013
 - Commendation to the Golden Gate Yacht Club for the 34th America's Cup
 - Commendation to the America's Cup Organizing Committee for the 34th America's Cup Races
 - Port Reopening Tabletop Exercise and Dive Exercise – October 8, 2013 at Pier 1 from 8 a.m. to 4 p.m.
 - Fleet Week Senior Leadership Seminar – October 10, 2013 at Marines Memorial Club from 7:30 a.m. to 4:30 p.m.
- B. In celebration of the Port's 150th Anniversary: Presentation on the Port of San Francisco's Historic Seawall, Where the City Meets the Bay.

7. CONSENT

- A. Request approval for Port Deputy Director of Maritime to represent the Port of San Francisco as a Voting Delegate at the American Association of Port Authorities Annual Convention at Port Canaveral, Florida, on October 14-18, 2013. (Resolution No. 13-35)
- B. Request approval for a San Francisco Port Commissioner to travel with Port Staff to Osaka, Japan, for the 15th Sister/Friendship Ports Conference. (Resolution No. 13-36)

8. ENGINEERING

- A. Request authorization to execute an amendment to the Construction Manager/General Contractor contract with Turner Construction Company to decrease the total authorized contract amount from \$104,496,202 to an amended amount not to exceed \$100,107,601, which reflects: 1) a contract increase of \$1,741,662 to complete Phase 2 construction of the Pier 27 Cruise Terminal Project; and 2) a contract decrease of \$6,130,263, for reduced scope

and cost savings in the America's Cup infrastructure projects; resulting in a net decrease of \$4,388,601 in the total authorized contract amount (Resolution No. 13-37)

9. PLANNING AND DEVELOPMENT

- A. Informational presentation on the status of the Port's Blue Greenway projects.
- B. Request authorization to issue Request for Proposals to lease The EcoCenter at Heron's Head Park, at Jennings St. and Cargo Way, including the building located at 32 Jennings Street and surrounding 6,058 square foot license area. (Resolution No. 13-38)

10. NEW BUSINESS

11. ADJOURNMENT

**FORWARD CALENDAR
(TARGETED COMMISSION MEETING, SUBJECT TO CHANGE)**

OCTOBER 8, 2013

	FACILITY/POLICY	ITEM	TITLE
1	Pier 70	Informational	Presentation on Orton Development Inc.'s project at the 20 th Street Historic Buildings Project at Pier 70
2	Third Street and Cargo Way Triangle and Cargo Way	Action	Authorization to accept and expend a grant in the amount of \$3,000,000 from the Federal Railroad Administration for improvements to the Quint Street Lead Improvement Project
3	Foreign Trade Zone	Action	Approval of the Operations Agreement by and between the City and County of San Francisco by and through its San Francisco Port Commission and Expeditors International of Washington, Inc. granting Expeditors International authority to operate its site in Brisbane, California as a Foreign Trade Zone #3 Site for a term of 5 years, with a mutual option to extend for 5 years
4	Portwide	Action	Approval of the Executive Director's nomination of members to the Port Building Code Review Board
5	Portwide	Action	Authorization to award the contract for As-Needed Environmental and related Professional Services for three contracts at \$1 million each, totaling \$3 million
6	Heron's Head Park at Cargo and Jennings Street	Action	Authorization to Negotiate and Execute a Mutual Termination Agreement with Literacy for Environmental Justice for Termination of Lease L-13816, which includes the "EcoCenter at Heron's Head Park" and surrounding 6,058 square feet of non-exclusive license area, subject to Board of Supervisors approval of the Mutual Termination Agreement.

OCTOBER 22, 2013

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Informational	Presentation on the proposed adoption of the 2013 Port of San Francisco Building Code
2	Pier 70	Informational	Update on the mixed-use development project by Forest City Development for the Pier 70 Waterfront Site, bordered generally by 20th Street, Michigan Street, 22nd Street and the

			San Francisco Bay
3	Pier 70	Action	Approval of a lease and development agreement with Orton Development Inc. for the 20 th Street Historic Buildings at Pier 70
4	Portwide	Action	Approval to revise the existing Board Resolution of Intention to form the Port Infrastructure Financing District and Designation of Project Areas
5	Tulare Park @ Cesar Chavez Street, Islais Street & Pier 90	Action	Authorization to advertise for competitive bids for Construction Contract No. 2758, Bayview Gateway & Tulare Park Projects located at Cesar Chavez Street, Islais Street, and Pier 90
6	Portwide	Action	Approval of: (1) issuance of Port of San Francisco Series 2013 Revenue Bonds to fund certain improvements on Port property in the aggregate principal amount not to exceed twenty six million dollars (\$26,000,000) with an interest rate not to exceed twelve percent per annum; (2) the forms of Indenture of Trust between the Port and a trustee; (3) the sale of the Bonds by negotiated sale pursuant to a purchase contract; (4) the form of a bond purchase contract; (5) the preliminary form of the Official Statement relating to the Bonds and the distribution of the statement; and (6) the form of the Continuing Disclosure Certificate of the Port and the execution of the certificate.
7	Seawall Lot 322-1	Action	Approval of Memorandum of Understanding between the San Francisco Mayor's Office of Housing ("MOH") and the Port regarding the terms and conditions under which the Port will allow MOH to solicit a developer to enter into a lease with the Port for the development of Seawall Lot 322-1 with an affordable housing development.
8	Northern Waterfront	Action	Authorization to issue a Request For Proposals for Northern Waterfront Parking lots

NOVEMBER 12, 2013

	FACILITY/POLICY	ITEM	TITLE
1	Seawall Lot 337	Informational	Update on the mixed-use development project for Seawall Lot 337 and Pier 48 bounded by China Basin Channel, Third Street, Mission Rock Street, and San Francisco Bay and adjacent to AT&T Park Update b bounded by China Basin Channel
2	Pier 9	Action	Approval of Port of San Francisco Lease Number L-15721 with Autodesk, a Delaware

			Corporation for a term of eight (8) years for approximately 3,400 square feet of unimproved Pier 9 shed space
3	Pier 38	Action	Request authorization to enter into exclusive negotiations with the best qualified Pier 38 developer

SPECIAL MEETING - DECEMBER 12, 2013

	FACILITY/POLICY	ITEM	TITLE
1	Heron's Head Park at Cargo and Jennings Street	Action	Authorization to execute a lease for the "Eco Center at Heron's Head Park" and surrounding 6,058 square feet of non-exclusive license area.

JANUARY 14, 2014

	FACILITY/POLICY	ITEM	TITLE
1	Portwide	Action	Approval to award the Hazardous Waste Contract

DATE TO BE DETERMINED

	FACILITY/POLICY	ITEM	TITLE
1	Pier 27	Informational	Presentation on the James R. Herman Cruise Terminal Management Agreement with Metro Cruise LLC
2	Pier 27	Action	Approval of the James R. Herman Cruise Terminal Management Agreement with Metro Cruise LLC
3	South Beach	Action	Port Commission's consideration of agreements between the Port Commission and the Successor Agency to mutually terminate 13 ground leases in the South Beach project area and set business terms for the transfer of the South Beach Harbor Program
4	Pier 31	Action	Authorization to advertise for competitive bids for Construction, Pier 31 Building and Roof Repairs
5	Pier 94 and 96	Action	Authorization to advertise for competitive bids for Construction, Pier 94-96 Storm Drain and Outfall repairs
6	Pier 35	Action	Authorization to advertise for competitive bids for Construction, Pier 35 Building and Roof Repairs
7	Portwide	Action	Adoption of the 2013 Port of San Francisco Building Code
8	Army Street, Islais	Action	Authorization to award Construction Contract No.

	Street, and Pier 90		2758, Bayview Gateway & Tulare Park Projects
9	Pier 31	Action	Authorization to award Construction Contract No. XX, Pier 31 Building and Roof Repairs
10	Pier 94 and 96	Action	Authorization to award Construction Contract No. X, Pier 94-96 Storm Drain and Outfall Repairs
11	Pier 35	Action	Authorization to award Construction Contract No. XX, Pier 35 Building and Roof Repairs
12	3 rd Street & Cargo Way Triangle and Cargo Way	Action	Authorization to advertise for competitive bids for Construction, Quint Street Lead Improvement Project
13	Copra Loading Dock near Tulare Street	Action	Authorization to advertise for competitive bids for Construction, Copra Crane Refurbishment
14	Pier 70	Action	Authorization to advertise for competitive bids for Construction, Crane Cove Park Project Phase 1
15	Pier 35	Action	Request authorization to advertise for competitive bids for Construction, Pier 35 Substructure Repairs
16	3 rd Street & Cargo Way Triangle and Cargo Way	Action	Authorization to award Construction Contract No. 2764, Quint Street Lead Improvement Project
17	Copra Loading Dock near Tulare Street	Action	Authorization to award Construction No. XX, Copra Crane Refurbishment
18	Pier 70	Action	Authorization to award Construction Contract No. 2740, Crane Cove Park Project - Phase 1
19	Pier 35	Action	Authorization to award Construction Contract No. XX, Pier 35 Substructure Repairs
20	Pier 70	Action	Approval of Lease No. L-15690 and L-15691 with Affordable Self Storage, Inc., subject to Board of Supervisors' approval, for a container storage facility on paved vacant land within Pier 70 in the Southern Waterfront
21	Portwide	Action	Request implementation of a 1.7% General Rate Increase for all items in the Port of San Francisco's Tariff Federal Maritime Commission 5, as approved by the California Association of Port Authorities

COMMUNICATIONS TO PORT COMMISSION
From September 6-19, 2013

- From Director General & Mrs. Bruce Fuh, Taipei Economic and Cultural Office in San Francisco, invitation to the 102nd National Day Reception, October 8, 2013 at 6:30 p.m. at the Grand Ballroom, San Francisco Airport Marriott
- From John Legaspi, Community Relations and Public Information Officer, regarding King-American Ambulance Company's providing services at the San Francisco War Memorial Performing Arts Center



**OCTOBER/NOVEMBER 2013
CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC**

DATE	TIME	GROUP	LOCATION
Oct. 8	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
Oct. 22	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building
Nov. 12	2:00 PM Closed Session	Port Commission	Port Commission Hearing Room at the Ferry Building
	3:15 PM Open Session	Port Commission	Port Commission Hearing Room at the Ferry Building

NOTES:

The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ www.sfport.com. The Port Commission meetings can be viewed online at http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92. The Port Commission meetings are also broadcasted on the 2nd & 4th Thursday of the month at 9 p.m. on Comcast Cable Channel 26 or Astound Cable Channel 78 (formerly RCN Cable). Contact Amy Quesada at 274-0406 or amy.quesada@sfport.com

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Rip Malloy @ 274-0267 or rip.malloy@sfport.com

The Maritime Commerce Advisory Committee (MCAC) meets every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or jim.maloney@sfport.com

The Mission Bay Citizens Advisory Committee meets on the second Thursday of the month at 5:00 p.m. in the Creek Room at Mission Creek Senior Building located at 225 Berry Street in San Francisco (along the Promenade just beyond the library.) Contact Catherine Reilly at the former Redevelopment Agency @ 749-2516 or catherine.reilly@sfgov.org

The Northeast Waterfront Advisory Group (NEWAG) meets regularly on a bi-monthly basis on the first Wednesday of the month from 5:00 p.m. to 7:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jonathan Stern @ 274-0545 or jonathan.stern@sfport.com

The Central Waterfront Advisory Group (CWAG) meets monthly on an as-needed basis, generally on the third Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or mark.paez@sfport.com

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david.beaupre@sfport.com

The Waterfront Design Advisory Committee (WDAC) meets jointly with the Design Review Board of the Bay Conservation and Development Commission on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. The Committee meets as needed on the fourth Monday of the month at 6:30 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625 or dan.hodapp@sfport.com



ACCESSIBLE MEETING INFORMATION POLICY

FERRY BUILDING:

The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots: 3 spaces in the surface lot on the west side of the Embarcadero at Washington Street.

Hourly and valet parking is available in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa. Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Wendy Proctor, Port's ADA Coordinator, at 274-0592, the Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance:

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Sections 67.1 et seq. of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Chris Rustom by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at sotf@sfgov.org. Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Rustom or by printing Sections 67.1 et seq. of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>.

NOTICES

Prohibition of Ringing of Sound Producing Devices:

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

Lobbyist Registration and Reporting Requirements:

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.





MEMORANDUM

September 19, 2013

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz
Hon. Mel Murphy

FROM: Monique Moyer 
Executive Director

SUBJECT: In Celebration of the Port's 150th Anniversary: Presentation on the Port of San Francisco's Historic Seawall, Where the City Meets the Bay

DIRECTOR'S RECOMMENDATION: Informational Only – No Action Required

Executive Summary

On April 24, 2013, the Port of San Francisco marked 150 years since its founding by legislative action of the State of California. As part of the Port's year-long celebration, Port staff has been making a monthly presentation highlighting a unique aspect of the many public benefits and contributions the Port makes to San Francisco and the Bay region. This presentation will showcase the Port's historic structural seawall, which extends nearly uninterrupted from the eastern edge of Aquatic Park to Pier 50, approximately 4 miles in length. The seawall delineates the boundary between the City of San Francisco's landside and the San Francisco Bay.

The seawall is a valuable asset to the City and serves two very important functions: it protects valuable landside infrastructure (e.g. San Francisco Financial District, BART and MUNI tunnels, Embarcadero Roadway and Promenade etc.) from the Bay surges and performs as a retaining wall, protecting the integrity of the landside's outer edge, and preventing the landside from sloughing into the Bay. The seawall also serves as the frontline structural support for the Port's numerous pier and wharf structures which extend beyond the seawall and out into and over the Bay.

THIS PRINT COVERS CALENDAR ITEM NO. 6B



Historical Background

Today's waterfront edge, where the City meets the Bay, is very different from the City's shoreline in 1863, which in turn was quite different than the City's shoreline at the start of the 1848 Gold Rush. From 1848 to 1863, the development of the San Francisco waterfront was disorganized and poorly planned. Cargo ship traffic was growing much faster than the waterfront's infrastructure could handle. The waterfront development was somewhat of a disaster with multiple, litigious disputes over ownership of the poorly constructed wharves and piers. San Francisco's waterfront development over fifteen year period from 1848 to 1963 was extremely chaotic and the resulting port infrastructure could not meet the growing cargo traffic. Thus, in 1863, the State of California took over the Port and established the Board of State Harbor Commissioners (BSHC) to develop master plans for a new waterfront/port infrastructure. After four years of litigation over water lots and wharf ownerships, the BSHC began addressing the seawall question. Two local Engineers, William Lewis and G. F. Allardt, proposed seawall construction along a zig-zag line as depicted in Eddy Red Line map of 1851 (see exhibit A). Construction commenced in 1867. The initial seawall sections were essentially rock dykes which extended intermittently in a 'zig-zag' fashion from Union Street to Green Street and from Mission Street to Pacific Street, and for the most part were located west of today's Embarcadero. In 1870, the BSHC placed Thomas Arnold in charge of the seawall, and he was given the title 'Engineer of the Seawall'. In 1873 the project stopped due to lack of funds. The 'zig-zag' seawall did not perform well due to accumulation of mud and silt in the seawall corners. Arnold convinced the BSHC to abandon the project and build the seawall farther out in the Bay along a new, curving alignment.

The state and federal government also contributed to the development of the Port seawall after the establishment of the BSHC. The State Legislature adopted 'harbor lines' on February 28, 1876. "These were two curving, parallel lines, a Bulkhead Line, behind which would be landfill, and a Pier Head Line, six hundred (600) feet out into the Bay from the Bulkhead Line, the farthest point allowed for construction of piers or other features."¹ The Bulkhead Line eliminated the patchwork and jagged 'zig-zag' lines of the original seawall, authorized by the BSHC in the prior decade, and this line can be seen today as the eastern edge of the Embarcadero. The same 'harbor lines' were substantially adopted by the U.S. Army Corps of Engineers in 1888. In 1901 the State Pier Head Line was moved out to eight hundred (800) feet from the Bulkhead Line in order to accommodate larger ships. This new State Pier Head Line applied to the piers from the East end of Aquatic Park to Mission Rock, near where Pier 50 would later be constructed. In each case the landfill behind the Bulkhead Line was to a level defined as 'City Base' by the City and County of San Francisco.

The second phase of the seawall (bulkhead) project commenced in 1878 and this date is considered as marking the beginning of the permanent harbor of San Francisco. The new seawall extended from Jones St. to China Basin, and due to funding issues, the new seawall was divided into and constructed in twenty-one (21) sections under

¹ Port City, The History and Transformation of the Port of San Francisco, 1848-2010



separate contracts, forming a continuous structure from Pier 45 to Pier 48. This seawall design was similar to the original seawall rock dyke design. A wooden wharf was constructed over the seawall and this wharf was supported on wood piles driven into the rock dyke. By 1906 twelve (12) seawall sections had been built.

In 1908 Mr. Ralph Barker became the Port's First Assistant State Engineer. Mr. Barker along with his 'Draftsman', Henry Brunnier, redesigned the seawall to include a reinforced concrete wall over concrete piles driven through a rock dyke. This seawall design, considered Henry Brunnier's design, was implemented in many locations along the waterfront. By 1929, seawall construction was substantially completed from the eastern edge of Aquatic Park to Hunters Point. Although specific sections of seawall constructed prior to 1906 were strengthened after the 1906 Earthquake, for the most part, in particular from Aquatic Park to Pier 50, it is the same or strengthened seawall that is functioning today. Along a large percentage of its length the seawall forms the outer perimeter of the Embarcadero which has developed into a beautiful roadway. In retrospect the takeover of the Port Authority by the BSHC proved to be the right decision at the right time. In 1968, the State of California transferred its responsibilities for the San Francisco waterfront to the City and County of San Francisco through the Burton Act. As a condition of the transfer, the State required the City to create a Port Commission that has the authority to manage the San Francisco waterfront for the citizens of California.

In 2004, the Port Commission approved Resolution 04-89 to create the Embarcadero Historic District which resulted in the listing of the Seawall, Bulkhead Wharf, Piers and buildings on the east side of the Embarcadero between Pier 45 and Pier 48 on the National Register of Historic Places. The Commission's action was the result of an agreement between the Port and the San Francisco Bay Conservation and Development Commission (BCDC) to amend the San Francisco Waterfront Special Area Plan and the Port's Waterfront Land Use Plan. Resolution 04-89 also specified that ordinary maintenance, repair and alterations to resources within the district comply with the Secretary of the Interior's Standards for the Treatment of Historic Properties.

Since 2007, the Port has been conducting annual structural inspections of the seawall. In general, the seawall is in very good structural condition. However, there exist sections of wood-framed seawall in Fishermen's Wharf that need strengthening. Considering the seawall's corrosive environment, the seawall has performed and continues to perform remarkably well.

Current and Future Challenges

The entire length of the seawall is located in a Seismic Hazard Zone as designated by the State of California, and is backfilled with liquefiable soils. No section of the seawall is designed to withstand liquefaction. In a major seismic event, if liquefaction occurs, then specific seawall sections could move vertically downward and/or laterally outward. These failures could impact the City's infrastructure on landside of the seawall. Also the seawall will be confronted with Sea Level Rise in the future. Sea Level Rise is expected



to rise between 10 to 17 inches between 2000 and 2050. Sea Level Rise is also expected to rise between 31 to 69 inches between 2000 and 2100. In specific locations during the winter high tides, the Bay laps over the seawall. The frequency and severity of this flooding will likely increase moving forward. Areas of concern by year 2050 include: End of Pier 45 between Shed A and B, Pier 5, Embarcadero promenade (from Agriculture Building to Pier 33½), Mission Creek area, and Pier 52 Boat Launch. By year 2100, the entire San Francisco waterfront is expected to get inundated.

Future Course of Action

Port staff will soon be working with a consultant from the Port's engineering pool to develop a strategic plan for addressing the seawall challenges. The Port's jurisdiction represents 7.5 miles of the City's entire waterfront, not including Treasure Island.

The City's coastline is governed by Local, State and Federal agencies, and encompasses approximately 20 miles. Port staff is also working with other City agencies (e.g. San Francisco Department of Environment, San Francisco Capital Planning Division) to increase the awareness of the seawall issues and to include seawall retrofit projects in the City's future Capital Plan. Ultimately staff's goal is to develop a seawall master plan, including conceptual retrofit designs and respective cost estimates. Once developed, such plans will be presented to the Port Commission and the public. The Port anticipates it will take at least 5-10 years to prepare such plans with help from all of the other City and regional partners.

Conclusion

The seawall is the most important infrastructure in the City of San Francisco. A future seawall failure would be a huge catastrophe, resulting in the loss of billions of dollars. Liquefaction and sea level rise are two major challenges that need to be considered for the seawall. The seawall issues should be addressed at the City/State/Federal levels, and the Port is doing its part to advance and focus these discussions.

Prepared by: Joe Roger, Structural Engineer
Winnie Lee, Associate Civil Engineer
Engineering Division

For: Uday Prasad, Interim Chief Harbor Engineer
Engineering Division

Attachment

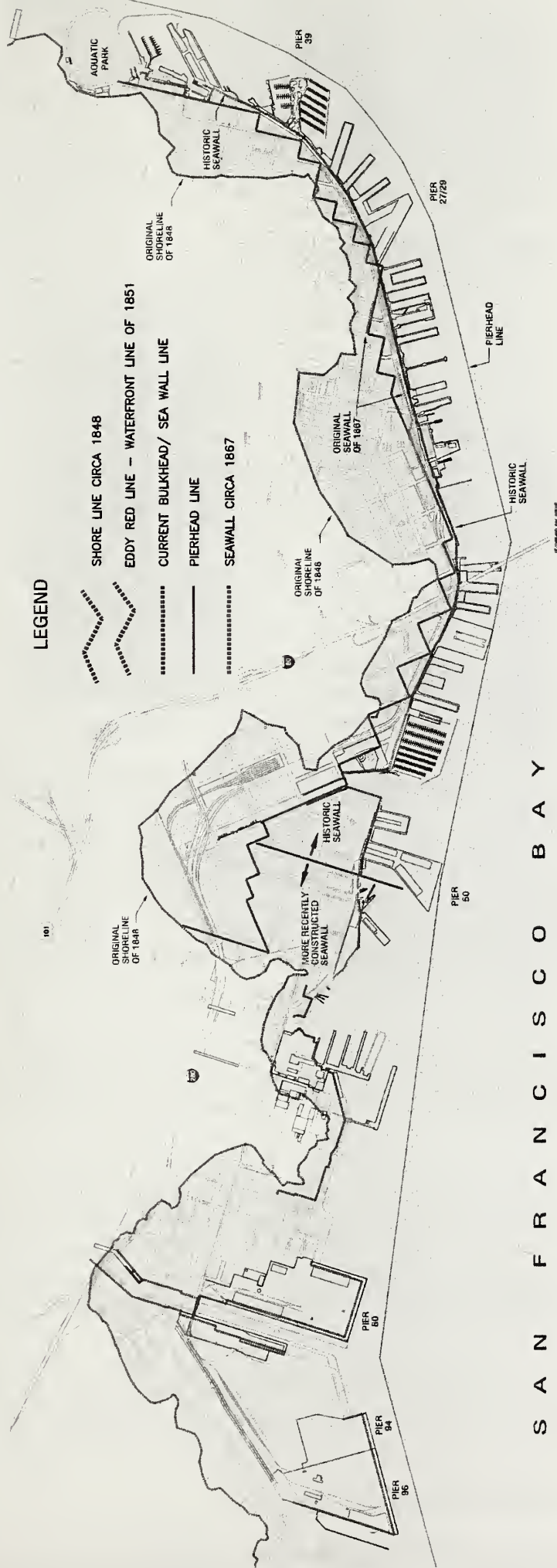
Exhibit A – Plan view of the old Waterline and new Bulkhead Line

Bibliography

- Corbett, Michael R., Port City, The History and Transformation of the Port of San Francisco, 1848-2010, San Francisco: San Francisco Architectural Heritage, 2011.



Exhibit A -Plan view of the old Shoreline and new Bulkhead Line







MEMORANDUM

September 19, 2013

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz
Hon. Mel Murphy

FROM: Monique Moyer *M Moyer*
Executive Director

SUBJECT: Request approval for Port Deputy Director of Maritime to represent the Port of San Francisco as a Voting Delegate at the American Association of Port Authorities Annual Convention at Port Canaveral, Florida

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Executive Summary:

Port staff requests that the Port Commission approve Peter Dailey, Deputy Director of Maritime to represent the Port of San Francisco at the American Association of Port Authorities Annual Convention at Port Canaveral, Florida, on October 13-17, 2013. Peter Dailey will represent the Port at the Pacific Coast Port Caucus, Cruise Committee and will cast the Port's vote at the General Meeting.

The 4-day long Annual Convention is AAPA's largest membership meeting of the year. It includes technical and policy committee meetings, business sessions and social networking opportunities for port professionals and others in the marine transportation industry.

This annual convention will include a host of presenters from both the private and public sectors who will discuss topics ranging from global and economic trade recovery to perspectives on the future of public port authorities. Keynoting the program will be U.S. Department of Transportation Deputy Secretary John Porcari, as well as Canadian Ambassador to the United States Gary Doer and Disney Cruise Line President Karl Holz.

This is also an opportune time for Peter Dailey to visit senior executives of Disney Cruise Line in Orlando, Florida, to update them on the completion of the Pier 27 cruise terminal.

THIS PRINT COVERS CALENDAR ITEM NO. 7A



Recommendation:

Attached, for your approval, is a resolution authorizing Peter Dailey, Deputy Director of Maritime, the authority to attend the annual meeting and vote on all motions and resolutions, on behalf of the Port of San Francisco. The cost of this trip is covered in the Port Commission's approved Fiscal Year 2013-2014 budget.

Prepared by: Peter Dailey
Deputy Director, Maritime

Prepared for: Monique Moyer
Executive Director



**PORT COMMISSION
CITY & COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 13-35

WHEREAS, The Port is a member of the American Association of Port Authorities whose membership includes most public port authorities in the United States, Canada, Mexico, the Caribbean and South America, which hosts an annual convention; and

WHEREAS, The 4-day long annual convention is AAPA's largest membership meeting of the year, which includes technical and policy committee meetings, business sessions and social networking opportunities for port professionals and others in the marine transportation industry; and

WHEREAS, This year, the convention will feature a host of presenters from both the private and public sectors who will discuss topics ranging from global and economic trade recovery to perspectives on the future of public port authorities; and

WHEREAS, The Port of San Francisco participates in the Cruise Committee, Pacific Port Caucus and the Legislative Affairs Committee and has a membership vote in the General Meeting; and

WHEREAS, Port staff requests approval for Peter Dailey, Deputy Director of Maritime, to travel to Port Canaveral, Florida, to represent the Port of San Francisco and vote on all motions and resolutions at the American Association of Port Authorities Annual Convention on October 13-17, 2013 and to travel from Port Canaveral to Orlando, Florida to meet with senior executives of Disney Cruise Line; and

WHEREAS, The cost of this trip is covered in the Port Commission's approved Fiscal Year 2013-2014 budget; now, therefore be it

RESOLVED, That the Port Commission hereby approves this travel request.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of September 24, 2013.

Secretary





MEMORANDUM

September 19, 2013

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz
Hon. Mel Murphy

FROM: Monique Moyer *M Moyer*
Executive Director

SUBJECT: Request approval for a San Francisco Port Commissioner to travel with Port Staff to Osaka, Japan for the 15th Sister/Friendship Ports Conference

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

Executive Summary:

Port staff requests that the Port Commission approve Commissioner Katz's travel to Osaka, Japan to attend the 15th Sister/Friendship Ports Conference on November 12-14, 2013. This trip will give the Port Commissioner an opportunity to represent the Port of San Francisco at the conference and meet representatives from our sister ports.

Background:

The 15th Sister/Friendship Ports Conference taking place in Osaka November 12-14, 2013 will be attended by representatives of many of the Port of San Francisco's sister ports, including the Ports of Le Havre (France), Melbourne (Australia), Osaka (Japan) and Shanghai (China). The Sister Ports program has long served the Port of San Francisco as an opportunity to promote trade, exchange information and deepen cultural understanding with the participating ports. Focusing on these goals, the first Sister Ports Conference was held in 1982, with subsequent conferences being held at regular intervals. The Port of San Francisco hosted the 13th Sister Ports Conference in 2007 with the theme "Sustainable Ports: Building Environmental Improvement into Economic Success." The Sister Port relationship with the Port of Osaka was established in 1967 and was the first of San Francisco's Sister Port relationships.

THIS PRINT COVERS CALENDAR ITEM NO. 7B



The theme of the 15th Sister/Friendship Ports Conference will be "Higher International Competitiveness and Future Port Management – Business Strategies and Corporate Styles." Each participating port will make presentations and hold discussions in line with this theme. By studying each other's port management strategies and organizational structures, the expectation is that it will be possible to deepen and strengthen the trade relations among sister ports and eventually contribute to the development of global port economies and the shipping industry.

In addition to the ports listed above, other Sister Ports of the Port of San Francisco are the Port of Cork (Ireland), the Port of Acapulco (Mexico) and the Port of Haifa (Israel). The 15th Sister Ports Conference in Osaka will additionally include the Port of Osaka's sister ports of Busan (Korea), Saigon (Vietnam), and Valparaiso (Chile).

In concert with the trip to Osaka, Japan for the Sister/Friendship Ports Conference, the Port representatives will also meet with existing and potential clients in Tokyo, Japan and Seoul, Korea. Port Commissioner Katz would participate in these meetings with Port staff.

Recommendation:

Attached, for your approval, is a resolution authorizing Port Commissioner Leslie Katz's travel to Osaka on November 12-14, 2013 and ancillary travel to Osaka, Japan and Seoul, Korea. This trip will give the Port Commissioner an opportunity to represent the Port of San Francisco at the Sister/Friendship Ports Conference and meet representatives from our sister ports. The cost of this trip is covered in the Port Commission's approved Fiscal Year 2013-2014 budget.

Prepared by:	Jim Maloney Maritime Marketing Manager
For:	Peter Dailey Deputy Director Maritime



**PORT COMMISSION
CITY & COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 13-36

WHEREAS, The Port of San Francisco has participated in the Sister Ports program since it was established in 1967; and

WHEREAS, The first Sister Ports Conference was held in 1982, with subsequent conferences being held at regular intervals; and

WHEREAS, The Sister Ports program has served the Port of San Francisco as an opportunity to promote trade, exchange information and deepen cultural understanding with the participating ports; and

WHEREAS, The Port of San Francisco has long been an active participant in the Sister Ports program and hosted the 13th Sister Ports Conference in 2007 with the theme "Sustainable Ports: Building Environmental Improvement into Economic Success"; and

WHEREAS, The 15th Sister/Friendship Ports Conference taking place in Osaka, Japan on November 12-14, 2013, with the theme "Higher International Competitiveness and Future Port Management – Business Strategies and Corporate Styles" will be the next gathering of our Sister Ports; and

WHEREAS, Each participating port will make presentations and hold discussions in line with this theme, with the expectation that by studying each other's port management strategies and organizational structures, it will be possible to deepen and strengthen the trade relations among sister ports and eventually contribute to the development of global port economies and the shipping industry; and

WHEREAS, Port staff requests approval for Commissioner Leslie Katz to travel to Osaka to attend the 15th Sister/Friendship Ports Conference and ancillary business development meetings in Tokyo, Japan and Seoul, Korea ; and

WHEREAS, The cost of this trip is covered in the Port Commission's approved Fiscal Year 2013-2014 budget; now, therefore be it

RESOLVED, That the Port Commission hereby approves this travel request.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of September 24, 2013.

Secretary





MEMORANDUM

September 19, 2013

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz
Hon. Mel Murphy

FROM: Monique Moyer *M Moyer*
Executive Director

SUBJECT: Authorization to execute an amendment to the Construction Manager/General Contractor contract with Turner Construction Company to decrease the total authorized contract amount from \$104,496,202 to an amended amount not to exceed \$100,107,601, which reflects: 1) a contract increase of \$1,741,662 to complete Phase 2 construction of the Pier 27 Cruise Terminal Project and 2) a contract decrease of \$6,130,263, for reduced scope and cost savings in the America's Cup infrastructure projects; resulting in a net decrease of \$4,388,601 in the total authorized contract amount

DIRECTOR'S RECOMMENDATION: Adopt Attached Resolution

EXECUTIVE SUMMARY

Port staff requests that the Port Commission authorize the Executive Director to execute an amendment to the Construction Manager/General Contractor ("CM/GC") contract with Turner Construction Company ("Turner") to accomplish the following: 1) Increase the contract amount by \$1,741,662 to complete Phase 2 construction services for the James R. Herman Cruise Terminal project, including the extension of shoreside power cables to accommodate new large cruise ships, and 2) decrease the contract amount by \$6,130,263, reflecting reduced scope of work and cost savings for the 34th America's Cup improvements. As a net result, Port staff recommends revising and decreasing the total contract authorization by \$4,388,601 to an amended amount not to exceed \$100,107,601.

THIS PRINT COVERS CALENDAR ITEM NO. 8A



BACKGROUND

The Port has entered into contracts with Turner for construction related to the new James R. Herman Cruise Terminal (“Cruise Terminal”) and the Northeast Wharf Plaza at Pier 27 and various amenities to house the America’s Cup Village for the 2013 Louis Vuitton Challenger Series, Red Bull Youth Racing Event and 34th America’s Cup (“AC34”) Final Match. A number of AC34-related public improvements and mitigation measures at Piers 30-32, Pier ½, Pier 19, and Pier 29 were also added to Turner’s scope of work.¹

America’s Cup

The majority of the AC34 projects are completed with the exception of work at Pier 64, where Port Maintenance staff will remove fill and construct a Caspian Tern platform before the required completion date of December 31, 2014. The Port realized significant cost savings in implementing AC34 related improvements and mitigation measures by eliminating some substructure deck and pile repair work at Pier 30-32 by successfully load testing the existing deck. The Port also saved money by utilizing Port Maintenance staff instead of private contractors. For example, for apron repair work at Pier 19, Turner purchased the construction material while the installation work was done by Port Maintenance staff. Savings from the AC34 project were reallocated to fund Phase 2 of the Cruise Terminal project.²

Cruise Terminal Project

The Port’s objectives related to the Cruise Ship Terminal are to (1) transform Pier 27 into a year-round cruise terminal that will meet the evolving security and passenger handling demands of the cruise ship industry; (2) develop an efficient facility that will lower the facility operational costs by the use of effective space planning and equipment for passenger circulation and provisioning; and (3) configure the cruise terminal in a way that will create opportunities for special event uses when the terminal is not occupied for cruise purposes. The special event uses will result in additional revenue to the Port and enhance the City’s meeting and convention business. The first special event held at the terminal was the 34th America’s Cup.

Phase 1 construction of the core and shell of the terminal building for the Cruise Terminal project was completed on schedule and was available for occupancy by the America’s Cup Event Authority (“Event Authority”) on March 1, 2013. Turner has nearly completed the Phase 2 subcontractor bidding and award process and, upon conclusion of AC34 and departure of the Event Authority by November 1, 2013, the Port will start the Phase 2 construction process. The Phase 2 construction is scheduled for nine months with a substantial completion date of August 1, 2014, and final completion October 1, 2014. This work will consist of finishing the remaining portions of the Cruise Terminal building including the U.S. Customs and Border Protection facilities. In

¹ Port Commission Resolution No. 12-40 on April 24, 2012.

² Port Commission Resolution 13-19, dated May 14, 2013

addition, the Phase 2 construction scope will include build out of the Northeast Wharf Plaza and North Point, the ground transportation area, apron and substructure repairs, and the installation of maritime equipment such as the mobile gangway system, fenders and bollards. Additionally, the project scope requires an upgrade to the shoreside power equipment to accommodate the size and design of cruise ships that are currently under construction.

While bid amounts for Phase 2 were higher than estimated, the project remains within budget. This is due to the deferral of certain work items from the current project to a future date. These items will eventually be required as either part of the project's entitlements or as operational considerations, as shown in *Table 1*. The Pier 29 historic walk and park bathrooms will be deferred until Port planning and finance staff determine the location of and funding source for these facilities. The permit issued by the San Francisco Bay Conservation and Development Commission ("BCDC") requires some elements of this recommended deferment to be completed no later than 2017. These features will be implemented as funding becomes available at a later time. Additionally, the bid for the stand-alone facility operations building is \$1,821,587 and if included would exceed the Port Commission approved budget for the project. Therefore Port will locate this facility in the existing Pier 29 shed or in temporary facilities within the Pier 27 area.

Table 1: Deferred or Deleted Project Scope

Description	Value	Comment
Pier 29 Historic Walk	\$ 325,000	Defer to future phase. Pending planning study
Park Bathrooms	\$ 852,972	Defer to future phase. Provide temporary facilities pending planning study.
Stand Alone Facility Operation Building	\$ 1,821,587	Deleted. Bid cost significantly higher than estimate. Relocate to Pier 29 or temporary facility in Pier 27.
Misc. Minor Pier Repairs	\$ 247,123	Defer to future.
Total	\$ 3,246,682	

Local Business Enterprise Participation

Turner has been very successful with meeting Local Business Enterprise ("LBE") and Local Hiring requirements. According to the Office of the City Administrator Contract Monitoring Division, Turner exceeded the 17% LBE participation goal established for this contract by committing 27% of the total awarded sub-trade bid packages to small and micro-LBEs for Phase 1. Turner also exceeded the 25% Federal Small Business Enterprise ("SBE") goal by awarding 29% of the federally funded bid packages to SBEs where applicable for Phase 1. Additionally, Turner surpassed the 20% local hiring level by 7%, with a 27% hiring rate of local residents for Phase 1 of the project. Turner has committed to achieve 22% LBE and 46% SBE for Phase 2.

California Environmental Quality Act

On December 15, 2011, the San Francisco Planning Commission certified the Final Environmental Impact Report (Final EIR) for the James R. Herman Cruise Terminal and Northeast Wharf Plaza and 34th America's Cup projects, pursuant to the requirements of the California Environmental Quality Act (CEQA). Prior to approving the Cruise Terminal project, the Port Commission approved CEQA Findings associated with the Final EIR, which included a Mitigation Monitoring and Reporting Program (MMRP).³ The Final EIR, CEQA Findings and MMRP, which are incorporated herein by reference, address the environmental effects of the Cruise Terminal and America's Cup projects in their entirety and applicable mitigation measures. Since the projects were approved, there have been no substantial project changes that would require major revisions to the Final EIR due to the involvement of new significant environmental effects or an increase in the severity of identified significant impacts, and there is no new information that would change the conclusions set forth in the Final EIR.

PROPOSED CONTRACT AMENDMENT

Port staff is seeking authorization to execute an amendment to the CM/GC contract with Turner that will decrease the total authorized contract amount from \$104,496,202 to an amended amount not to exceed \$100,107,601. As detailed in *Table 2*, this net decrease of \$4,388,601 reflects 1) a proposed contract decrease of \$6,130,263 for reduced scope and cost savings in the America's Cup infrastructure projects and 2) a proposed contract increase of \$1,741,662 to complete Phase 2 construction of the Pier 27 Cruise Terminal Project.

Table 2: Turner Contract Authorizations

	<u>Approved</u>	<u>Proposed Change</u>	<u>Revised Total</u>
Turner Contract	104,496,202	(4,388,601)	100,107,601
<u>America's Cup Projects</u>	<u>14,740,894</u>	<u>(6,130,263)</u>	<u>8,610,631</u>
<u>Cruise Terminal Project</u>	<u>89,755,308</u>	<u>1,741,662</u>	<u>91,496,970</u>
<i>Approved Construction Budget*</i>	<i>89,755,308</i>	<i>952,692</i>	<i>90,708,000</i>
<i>Shoreside Power Extension</i>	-	<i>1,320,970</i>	<i>1,320,970</i>
<i>Shift FF&E to Port for Procurement</i>	-	<i>(532,000)</i>	<i>(532,000)</i>

* Port Commission Resolution 13-19, May 14, 2013

America's Cup Contract

On April 24, 2012, the Port Commission approved a total contract amount not to exceed \$14,740,894 for Turner to complete certain public improvements related to the 34th

³ See Port Commission Resolution No. 11-75.

America's Cup Event.⁴ The scope of work assigned to Turner was reduced, resulting in a final contract amount of \$8,610,631, or \$6,130,263 less than originally approved. The reduction was made possible by having Port Maintenance staff perform a significant amount of the non-Pier 27 and non-Pier 29 work.

Cruise Terminal Contract & Budget

As part of the Cruise Terminal project budget and contract approval process, the Port Commission approved a total CM/GC contract amount not to exceed \$89,755,308 on December 11, 2012 and then approved a total construction budget of \$90,708,000 on May 14, 2013.⁵ The newly proposed \$1,741,662 contract increase will bring the CM/GC contract related to the Cruise Terminal project to \$91,496,970; this amount includes 1) a contract increase of \$952,692 per the previously approved construction budget, 2) adding \$1,320,970 to modify the shoreside power equipment in order to accommodate the larger ships that will call upon the Port in future years and 3) shifting \$532,000 for Furniture, Fixtures and Equipment (FF&E) out of the Turner contract to a Port procurement expenditure.⁶

The funding to support the requested \$1,741,662 contract increase will be provided from the Port's regularly funded Utilities Project and the previously approved Cruise Terminal Project budget as discussed below.

Utilities Project: The Port's FY 2013-14 Capital Budget includes funding for utilities projects which can be used to accommodate the shoreside power upgrade. The Port Commission approved \$2,690,000 of funding to the Utilities Project, including \$2,390,000 for under pier utility projects including the replacement of water and sewer lines at Pier 9. The Pier 9 project is in design, but funding will not be required in the current budget cycle. Port Staff recommends using these funds to address the immediate shoreside power needs of the Cruise Terminal and will review the funding requirements for the Pier 9 project in the next budget cycle.

Cruise Terminal Project: In May 2013 the Port Commission approved the current Cruise Terminal project budget of \$111,966,137 plus a \$2,044,574 project contingency, as shown in *Table 3*. With the addition of \$1,320,970 from the Port's Utilities Project, the updated total budget is \$115,331,681.

⁴ See Port Commission Resolution No. 12-40, dated April 24, 2012.

⁵ See Port Commission Resolution 12-98, dated December 11, 2012 and Resolution 13-19, dated May 14, 2013.

⁶ The procurement of FF&E will be managed by DPW, Port, and Purchasing staff, per Chapter 21 of the Administrative Code, rather than by Turner.

Table 3: Cruise Terminal Project Budget Update

	Approved	Proposed Change	Revised Total
EXPENDITURES			
Construction	83,184,359	668,882	83,853,241
<i>General</i>	83,184,359	-	83,184,359
<i>Shoreside Power Upgrade</i>	-	1,200,882	1,200,882
<i>FF&E Shift to "Soft Costs"</i>	-	(532,000)	(532,000)
Construction Contingency	7,523,641	120,088	7,643,729
<i>General</i>	7,523,641	-	7,523,641
<i>Shoreside Power Upgrade</i>	-	120,088	120,088
Total Construction (Turner)	90,708,000	788,970	91,496,970
Total Soft Costs (DPW, KMD, Port)	21,258,137	532,000	21,790,137
Project Subtotal	\$ 111,966,137	\$ 1,320,970	\$ 113,287,107
Project Contingency	\$ 2,044,574	\$ -	\$ 2,044,574
Total Expenditures	\$114,010,711	\$1,320,970	\$115,331,681
SOURCES			
Port Capital & Debt Proceeds	\$ 84,771,877	\$ 1,320,970	\$ 86,092,847
General Obligation Bond Proceeds	\$ 17,000,000	\$ -	\$ 17,000,000
City & ACOC Reimbursements	\$ 5,700,000	\$ -	\$ 5,700,000
FEMA Grant Proceeds	\$ 6,538,834	\$ -	\$ 6,538,834
Total Sources	\$114,010,711	\$1,320,970	\$115,331,681

CONCLUSION

This proposed contract amendment will allow the Port to fully utilize the Cruise Terminal construction budget, which includes a reallocation of funding from the AC34 project. Phase 2 of the Cruise Terminal Project is on budget and scheduled to meet substantial completion by August 1, 2014. The additional cost of upgrading the power infrastructure to accommodate the new cruise ships can be met by redirecting funds from under pier utility projects that are proceeding more slowly and will be reprioritized for funding in the next budget cycle.

Prepared by: Kim von Blohn, Project Director,
Engineering and
Meghan Wallace, Budget Manager,
Finance and Administration

For: Uday Prasad, Interim Chief Harbor
Engineer, Engineering and
Elaine Forbes, Deputy Director,
Finance and Administration

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 11-37

- WHEREAS, On April 12, 2011, by Port Commission Resolution No. 11-22, the San Francisco Port Commission authorized Port staff to utilize the Integrated Project Delivery approach for the procurement of construction services and authorized the San Francisco Department of Public Works ("DPW") to advertise for a Construction Manager/General Contractor to help design and construct the Pier 27 James R. Herman Cruise Terminal and Northeast Plaza Project (the "Project"); and
- WHEREAS, On April 20, 2011, DPW, on behalf of the Port, issued a Request for Qualifications ("RFQ") to select a qualified Construction Manager/General Contractor for the Project; and
- WHEREAS, On June 14, 2011, the Port Commission adopted Resolution No. 11-45, authorizing the contract award for Construction Manager/General Contractor services for the Project ("CM/GC Contract") to Turner Construction Company for the not-to-exceed amount of \$3,581,137, and authorized staff to increase the contract amount, if needed for unanticipated contingencies, by an additional \$358,114 (10% of \$3,581,137) for a total contract funding of \$3,939,251; and
- WHEREAS, As Construction Manager/General Contractor for the Project, Turner Construction Company is required to provide a fully functional, complete and operational Project, including, in accordance with the Integrated Project Delivery approach, certain pre-construction services before Project approval; and
- WHEREAS, On December 16, 2011, the San Francisco Port Commission approved the Pier 27 James R. Herman Cruise Ship Terminal and Northeast Wharf Plaza Project and the 34th America's Cup Project and adopted California Environmental Quality Act ("CEQA") Findings and Mitigation Monitoring and Reporting Programs ("MMRP") applicable to these projects, in its Resolution Nos. 11-75 and 11-79, respectively and which are incorporated herein by reference; and
- WHEREAS, On April 24, 2012, the San Francisco Port Commission adopted Resolution 12-34, finding the Mitigation Measures in the Final EIR for the modified 34th America's Cup Project, to be feasible, and adopting the CEQA Findings and Mitigation Monitoring and Reporting Program for the modified 34th America's Cup Project, including the Statement of Overriding Considerations, and which the Port Commission hereby incorporates herein by reference; and
- WHEREAS, To date, the Port Commission has authorized five contract amendments (Resolution Nos. 11-59, 11-78, 12-39, 12-40 and 12-98) for a total contract

value of \$104,496,202, including \$14,740,894 to fund certain public improvements related to the 34th America's Cup Event at Pier 19, Pier 23, Pier 29, Pier 64, Pier 1/2, and Piers 30-32 and \$89,755,308 for the Cruise Terminal project.

WHEREAS, On April 24, 2012, the San Francisco Port Commission found that the activities described in Resolutions Nos. 12-39 and 12-40 did not require additional environmental review and incorporated by reference its prior CEQA Findings set forth in its Resolution Nos. 11-75 and 12-34; and

WHEREAS, On May 14, 2013, the Port Commission approved Resolution 13-19 for a supplemental appropriation ordinance that appropriated \$23,778,741 to the Cruise Terminal project, for a total Project budget of \$111,966,137, including \$90,708,000 to fund the construction and construction contingency; and

WHEREAS, The Project status and schedule now warrant a further amendment to the Construction Manager/ General Contractor Contract for the necessary funding, preparation, bidding, and implementation of additional trade subcontractor packages for construction of Phase 2 of the Project as described in the accompanying staff report, which will continue to include robust local hire participation and will increase the Local Business Enterprise subcontractor participation above 17%; and now, therefore be it

RESOLVED, That the San Francisco Port Commission hereby authorizes the Executive Director to execute an amendment to the Construction Manager/General Contractor contract with Turner Construction Company to decrease the total authorized contract amount from \$104,496,202 to an amended amount not to exceed \$100,107,601, reflecting 1) an increase of \$1,741,662 to complete Phase 2 construction of the Pier 27 Cruise Terminal Project, and 2) a decrease of \$6,130,263 for reduced scope and cost savings in the America's Cup infrastructure projects; thereby resulting in a net decrease of \$4,388,601 in the total authorized contract amount; and be it further

RESOLVED, That the Port Commission further finds that since the Project was approved, there have been no substantial changes in project circumstances that would require major revisions to the Final EIR due to the involvement of new significant environmental effects or an increase in the severity of previously identified significant impacts, and there is no new information that would change the conclusions set forth in the Final EIR.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of September 24, 2013.


Secretary



MEMORANDUM

September 19, 2013

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz
Hon. Mel Murphy

FROM: Monique Moyer 
Executive Director

SUBJECT: Informational Presentation on the status of the Port's Blue Greenway Projects

DIRECTOR'S RECOMMENDATION: No Action Required

Overview

The Blue Greenway is a City and County of San Francisco project to improve and expand the public open space network along the City's central and southern waterfront, from China Basin Channel to the San Francisco southern county line (*see Exhibit 1, Blue Greenway System*). When fully completed in 2045 this network will consist of 13 miles of contiguous pedestrian and biking space plus a series of parks and respite areas at which to enjoy the Bay.

The Port has taken a leadership role in planning, coordinating and improving the City's Blue Greenway Project. It has been able to accomplish this by utilizing a variety of funding sources, including the 2008 and 2012 Parks General Obligation Bonds, the Port's Southern Waterfront Beautification funds, pursuing and receiving grants and using other Port capital and operating funds.

Since 2008, the Port has accomplished much in improving the Blue Greenway, including:

1. Completed a planning process to develop the Blue Greenway Planning and Design Guidelines;
2. Designed and constructed an expanded Heron's Head Park;
3. Closed a 1,500 linear foot gap along the Blue Greenway and opened up the same length of shoreline access along Mission Bay;
4. Closed a $\frac{3}{4}$ mile gap and created the City's first separated and protected cycle-track along Cargo Way;

THIS PRINT COVERS CALENDAR ITEM NO. 9A

5. Designed and awarded a contract to construct Blue Greenway Signage;
6. Commissioned an artist to create and install Bayview Rise a large public art project on the Pier 92 Silos;
7. Secured a grant and initiated design to restore the Copra Crane;
8. Completed the design of Tulare and Bayview Gateway projects;
9. Initiated the development of a Master Plan for Crane Cove Park; and
10. Pursued and secured \$1,120,000 in grant funds with applications for an additional \$1,000,000 applied for.

As requested by Port Commissioner Leslie Katz, the following is intended to give the Port Commission an update on the status of the Port's Blue Greenway projects.

Status of Port Blue Greenway Projects

The following provides a brief update for each of the Port's Blue Greenway projects, beginning in the South and moving North.

Heron's Head Park

In August 2012, the Port opened the new entry and expansion of Heron's Head Park. It was developed to complement the existing park, while expanding the programming opportunities. New park features include a new low-mow meadow, picnic and barbecue areas, park signage, site furnishings, a new off leash dog run, a new parking lot and permanent restrooms and utility area. This improvement has been very well received by the community and is actively used (*see: Exhibit 2, Site Photos*).

Cargo Way Bicycle Lanes

In August 2012, the City's first bi-directional Class I bicycle facility was opened. The improvements included a protected and divided space for bicyclists, laser detected signals that are triggered by bicyclist and safety signage. This project closed a ¾ mile gap in the Blue Greenway. It has been very well received by neighborhood residents, walkers and recreational and commuter bicyclist. (*see: Exhibit 3, Bicycle Lane Improvement Photos*).

Pier 92- Grain Silo - Bayview Rise

In March of 2013, the Port working with the San Francisco Arts Commission selected the artist team of Hadadd and Drugan to create *Bayview Rise*, an illuminated mural for the Port's Pier 92. Bayview Rise weaves together iconic imagery reflecting the Bayview neighborhood's changing economy, ecology, and community. Its large-scale graphics will make its primary images visible from a distance, while views up close will reveal the abstract patterns from which those images are composed. The artwork is conceived as a gateway into Bayview Hunters Point and will be visible and changing from day to night. The Project is scheduled to be completed in November 2013. (*see: Exhibit 4, Bayview Rise Plan*)

Bayview Gateway

The Bayview Gateway is generally located between Cargo Way, Third and Illinois Street and Islais Creek. It will be a new 1 acre open space at the gateway to the Bayview Community. This project, located on the Islais Creek shoreline includes: new landscape

areas, pathways, site interpretation and public art that will be on either side of Third Street. This location will also act as a transition point along the Blue Greenway providing respite for those traveling along both Cargo Way and Illinois Street and be a viewing area for the *Bayview Rise* project. Port staff will be requesting authorization to put this out to bid for construction at the October 2013 Port Commission meeting with significant completion expected in the summer of 2014 (see: *Exhibit 5, Bayview Gateway Plan*).

Copra Crane Restoration

In the summer of 2013 the Port received a grant to reconstruct and reassemble the Copra Crane on Islais Creek at the terminus of Indiana Street. The crane was the last hand operated machinery used by Longshoreman and will be recognized as a Labor Landmark once completed. The Port has retained an engineering team to develop the designs required to complete the project. It is anticipated that this project will begin construction in the spring of 2014 and be completed in the fall of 2014 (see: *Exhibit 6, Copra Crane*).

Tulare Park

Tulare Park is a connector park along Islais Creek that connects Illinois and Third Streets. This park was originally constructed in the 1970s and is in need of significant upgrades including accommodating access to those with disabilities. The Port, working with the community and the Department of Public Works has developed a creative design solution to accommodate access to all and improve the appearance of this shoreline open space. Port staff will be requesting authorization to put this out to bid for construction with the Bayview Gateway project at the October 2013 Port Commission meeting with significant completion expected in the summer of 2014 (see: *Exhibit 7, Tulare Park Plan*).

Crane Cove Park

Crane Cove Park is an approximately 9 acre proposed park within the Port's Pier 70 area. It is generally bound by 19th Street on the south, Illinois Street on the east, Mariposa Street on the north and the Bay and Ship Repair operations on the east.

The project site historically functioned as a series of spaces that collectively built ships. Historically, each area had its own unique function. The Park Plan took cues from these "functional use areas" and developed a design that allows different park programs to occur within the historic functional use areas, but allow the user to experience and appreciate the site as a whole and integrated park. *Exhibit 8 & 9, Crane Cove Park Master Plan*, illustrates the Park Plan.

A transformative element introduced in the design is the fill required for the construction of the 19th Street extension within the southwest corner of the site. The required fill partially buries Slipway #4, building #30 and some of the historic "traces" on site (which are in turn re-interpreted), resulting in the creation of a new entry plaza and a large at-grade lawn the length of Illinois Street.

The park plan includes five functional areas that each serve a different program of uses but combined, support and strengthen the total park plan as a whole. The areas include 1) a triangular shaped open multi-use lawn along Illinois Street; 2) Slipway 4, including Crane Plaza and Keel Park; 3) Building 109/110 and Forecourt area; 4) the Maritime Fields, including Slipways 1-3 and 5) the shoreline area to the north.

The current budget for the project is approximately \$21 million including all soft cost. A preliminary cost estimate for the Concept Plan identified a total project cost of approximately \$45 million (2012 cost) including all soft cost. The cost estimate equates to approximately \$5 million per acre, which is comparable to similar projects within San Francisco and the Bay area. Recognizing a current funding gap, the Port has identified an initial project phase for construction (see Exhibit 10, Crane Cove Park Proposed Phasing). The proposed phasing plan insures that the project delivers a diverse program of uses for park users, while respecting the overarching goals established for all of Pier 70.

The Crane Cove Park Master Plan has been developed through an extensive community planning process and has been presented to the City's Waterfront Design Advisory Committee and San Francisco Bay Conservation and Development Commission's Design Review Board. The Port is anticipating design review approval in the fall of 2013, allowing the project to then move into schematic design and detail design with construction commencing in early 2015.

Bayfront Park Shoreline

In 2012, the Port of San Francisco completed and opened to the public the Mission Bay, Bayfront Park shoreline (see *Exhibit 11, Before and After site photos*). This project improved the shoreline to accommodate the future Bayfront Park and opened up 1500 linear-feet of shoreline for public access. The project included the removal of deteriorated pier and wharf structures, creosote treated piles, abandoned utilities and established a protected shoreline edge. Recognizing the ultimate park improvements were several years from completion the Port installed a multi-use pathway and site furnishings. This shoreline improvement project gets active use, by joggers, walkers and fisherman on a daily basis, the project also closed a ¼ mile gap in the Blue Greenway system.

Blue Greenway Signage

An improvement identified in the Blue Greenway Planning process was the need for the Blue Greenway to have an identity and marker along the system. The Port, with assistance from a design team, developed a design for a way-finding system to (a) improve recognition of the system of open spaces and the alignment of the Blue Greenway even before it is completely designed, funded and built; (b) help build an identity to the system for today's users and potential users; and (c) through removable panels, allow for future area interpretation on the signs as the Blue Greenway evolves in the next 35 years. *Exhibit 12, Blue Greenway signage* illustrates the design and locations of the signs to be installed. The Port Commission awarded the construction contract for the signs at the August meeting and significant completion of installation is expected in the spring of 2014.

Blue Greenway Art

In addition to Blue Greenway signage, public art is an integral component of the Blue Greenway and will assist in strengthening its identity. The first Blue Greenway public art to be installed will be the Pier 92 Grain silos as described above. This art piece was funded from the Port's Southern Waterfront Community Benefits funds. The next public art piece will be commissioned through a coordinated effort with the Arts Commission through the Art Enrichment program at the Bayview Gateway open space project. The Art Enrichment program requires 2% of the total capital cost of G.O. bond funds to be designated to public

art. In order to get the scale and quality of art appropriate of the space, the Port designated additional G.O. bond funds to the project. The art project will be located at the intersection of Third Street, Cargo Way and Arthur Avenue, with the requirement that the northwest corner of Third Street and Arthur Avenue be the dominant art feature, but allowing an artist to consider expanding the work to include the northeast corner of Third Street and Cargo Way (see *Exhibit 13, Bayview Gateway Art Locations*). This site was chosen to emphasize and highlight the Third Street Gateway into the Bayview community. The Art Commission will initiate the artist selection for this project within the coming week, with installation expected to begin in late 2014.

In addition to the public art projects underway, Port staff will continue to investigate opportunities for both permanent and public art for locations identified in the Blue Greenway Planning and Design Guidelines.

Other Blue Greenway Projects

The 2012 Parks General Obligation Bond includes funding for design and improvements to four other parks: Islais Creek, Warm Water Cove Park, Pier 70 Parks and Aqua Vista Park. The initial due diligence for these projects is in development with anticipation that these projects would be delivered in 2017. The Port expects to complete all Blue Greenway projects within its jurisdiction by 2035 with most projects coming into fruition in the next 5 years.

Next Steps

The Port will continue to implement projects that are funded through the resources available, pursue available grants and other funding. In addition it will continue to coordinate with other City, Regional and State agencies and interested stakeholders towards the goal of completing the Blue Greenway projects and growing stewardship and use of the system. Port staff will return to the Port Commission beginning next month for approval to issue various construction contracts.

Prepared by: David Beaupre, Senior Waterfront Planner
For: Byron Rhett, Deputy Director, Planning and Development

Exhibits:

1. Blue Greenway System Map
2. Heron's Head Park Site Photos
3. Cargo Way Bicycle Lane Improvement Photos
4. Bayview Rise Plan
5. Bayview Gateway Plan
6. Copra Crane
7. Tulare Park Plan
8. Crane Cove Park Master Plan
9. Crane Cove Park Master Plan
10. Crane Cove Park Phasing Plan
11. Bayfront Park Shoreline photos
12. Blue Greenway signage
13. Bayview Gateway Art Locations

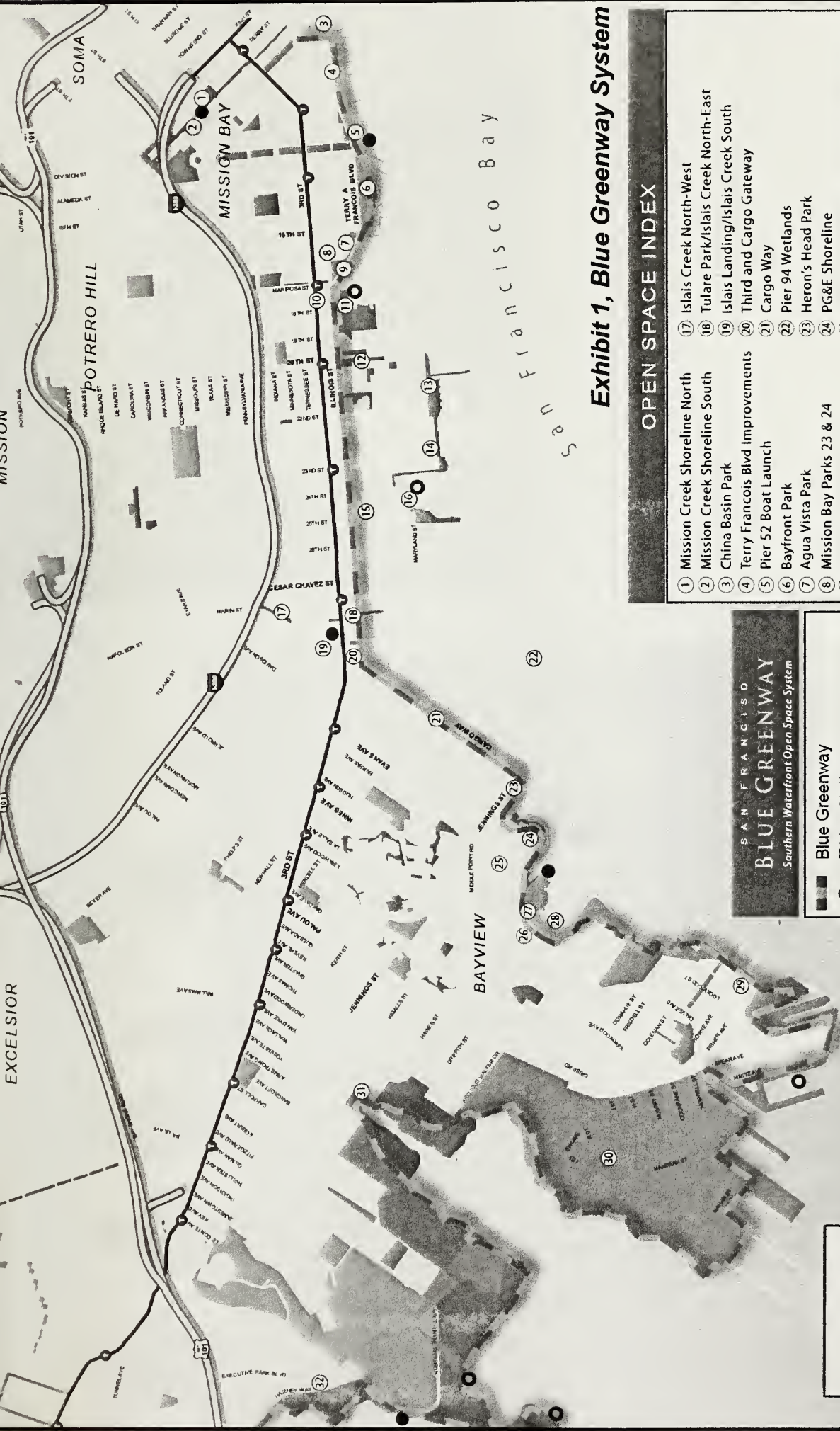


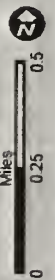
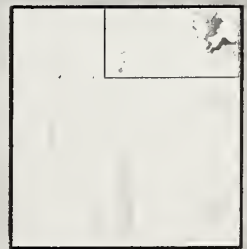
Exhibit 1, Blue Greenway System

OPEN SPACE INDEX

- | | |
|------------------------------------|---|
| ① Mission Creek Shoreline North | ①7 Islais Creek North-West |
| ② Mission Creek Shoreline South | ①8 Tulare Park/Isais Creek North-East |
| ③ China Basin Park | ①9 Islais Landing/Isais Creek South |
| ④ Terry Francois Blvd Improvements | ②0 Third and Cargo Gateway |
| ⑤ Pier 52 Boat Launch | ②1 Cargo Way |
| ⑥ Bayfront Park | ②2 Pier 94 Wetlands |
| ⑦ Agua Vista Park | ②3 Heron's Head Park |
| ⑧ Mission Bay Parks 23 & 24 | ②4 PG&E Shoreline |
| ⑨ Pier 64 Shoreline Access | ②5 Jennings St/Hunters Point Blvd/Innes Ave |
| ⑩ Illinois Street | ②6 Hudson Avenue Right-Of-Way Improvements |
| ⑪ Pier 70 Crane Cove Park | ②7 India Basin Shoreline Park |
| ⑫ Pier 70 Upland Open Spaces | ②8 India Basin Open Space |
| ⑬ Pier 70 Slipways Park | ②9 Hunters Point Shipyard Open Spaces North |
| ⑭ Power Plant Shoreline Access | ③0 Hunters Point Shipyard Open Spaces South |
| ⑮ 24th Street Improvements | ③1 Yosemite Slough Wetland |
| ⑯ Warm Water Cove Park | ③2 Candlestick Point State Recreation Area |

**SAN FRANCISCO
BLUE GREENWAY**
Southern Waterfront Open Space System

- | |
|----------------------------|
| ■ Blue Greenway |
| ● T Line Station |
| ■ RPD Open Space |
| ■ Non Port/SPD Open Space |
| ■ Port Open Space |
| ■ Other Planned Open Space |
| ● Existing Boat Access |
| ○ Planned Boat Access |



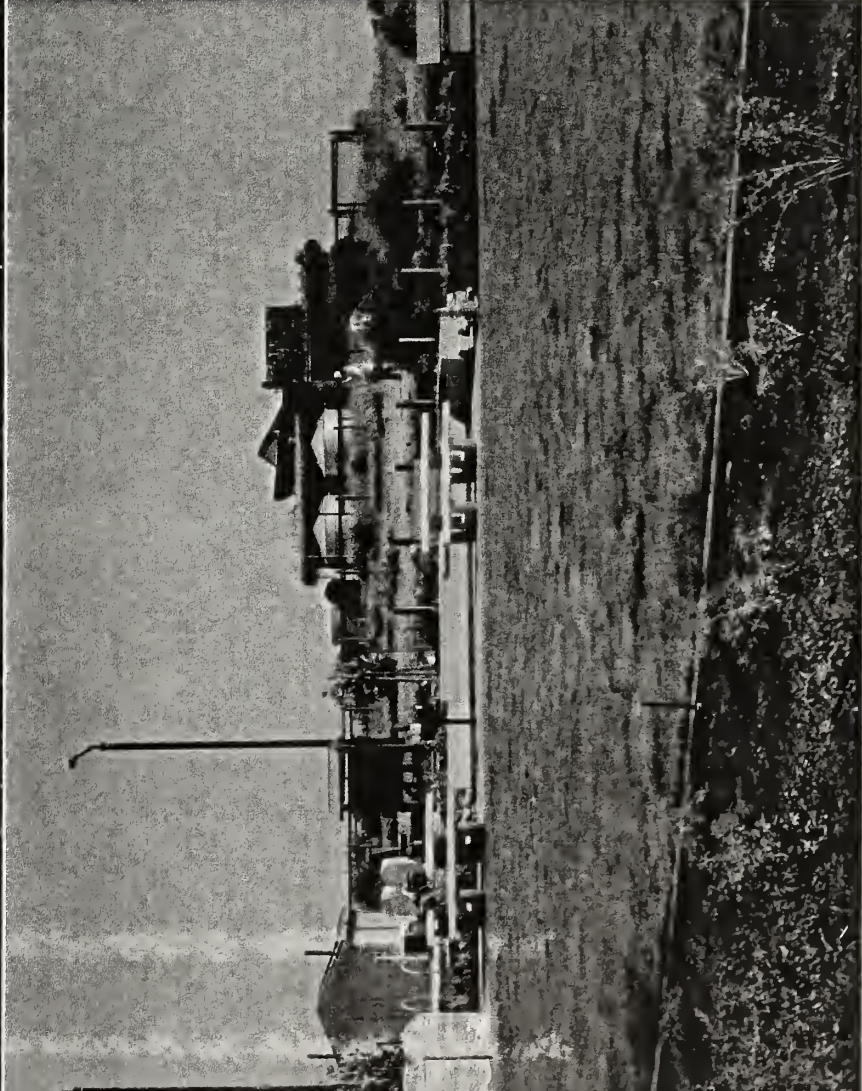
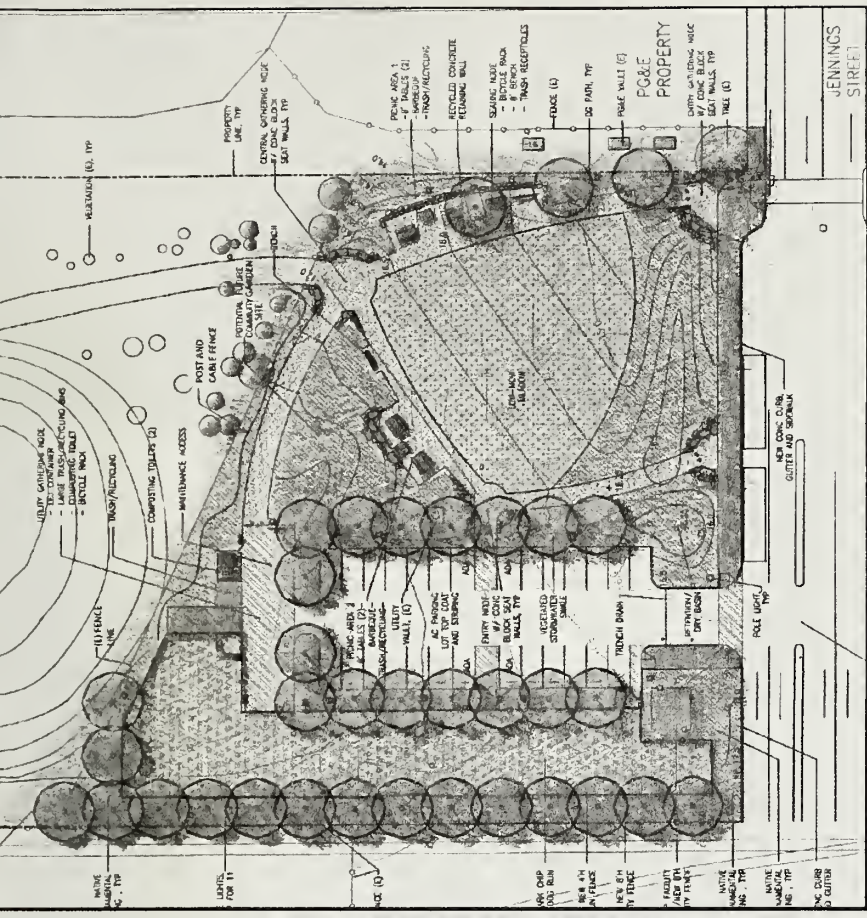


Exhibit 2, Heron's Head Park Photos and Plan



Exhibit 3, Cargo Way Bicycle Lanes

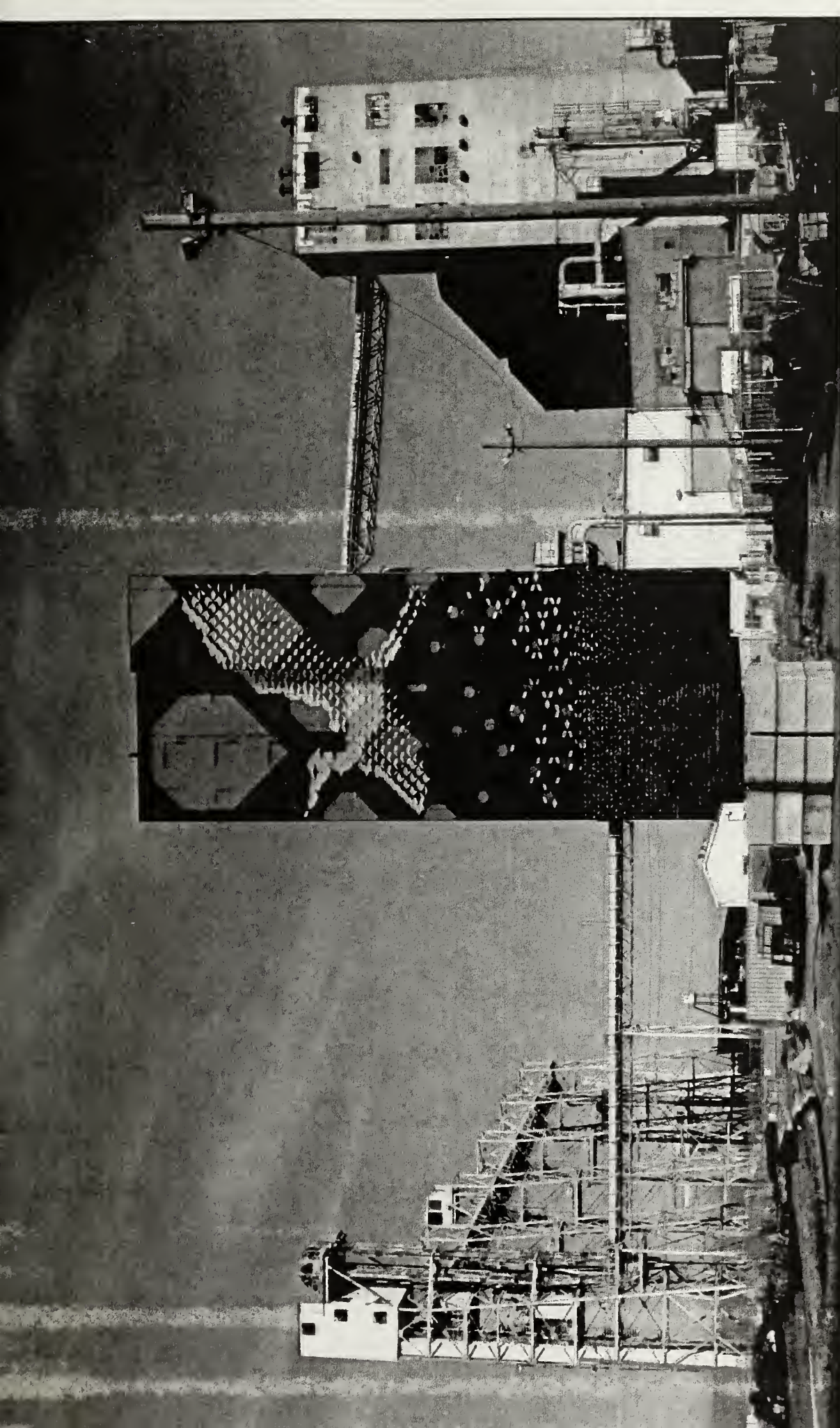
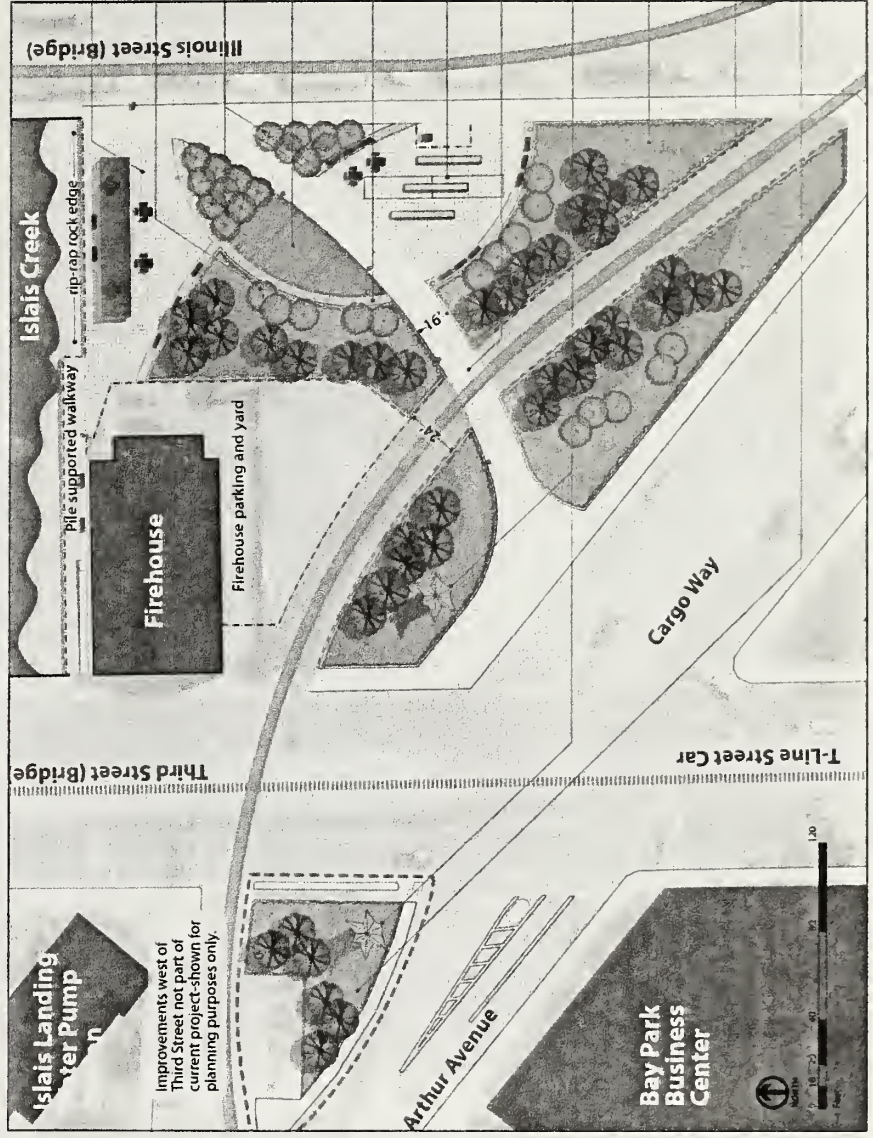
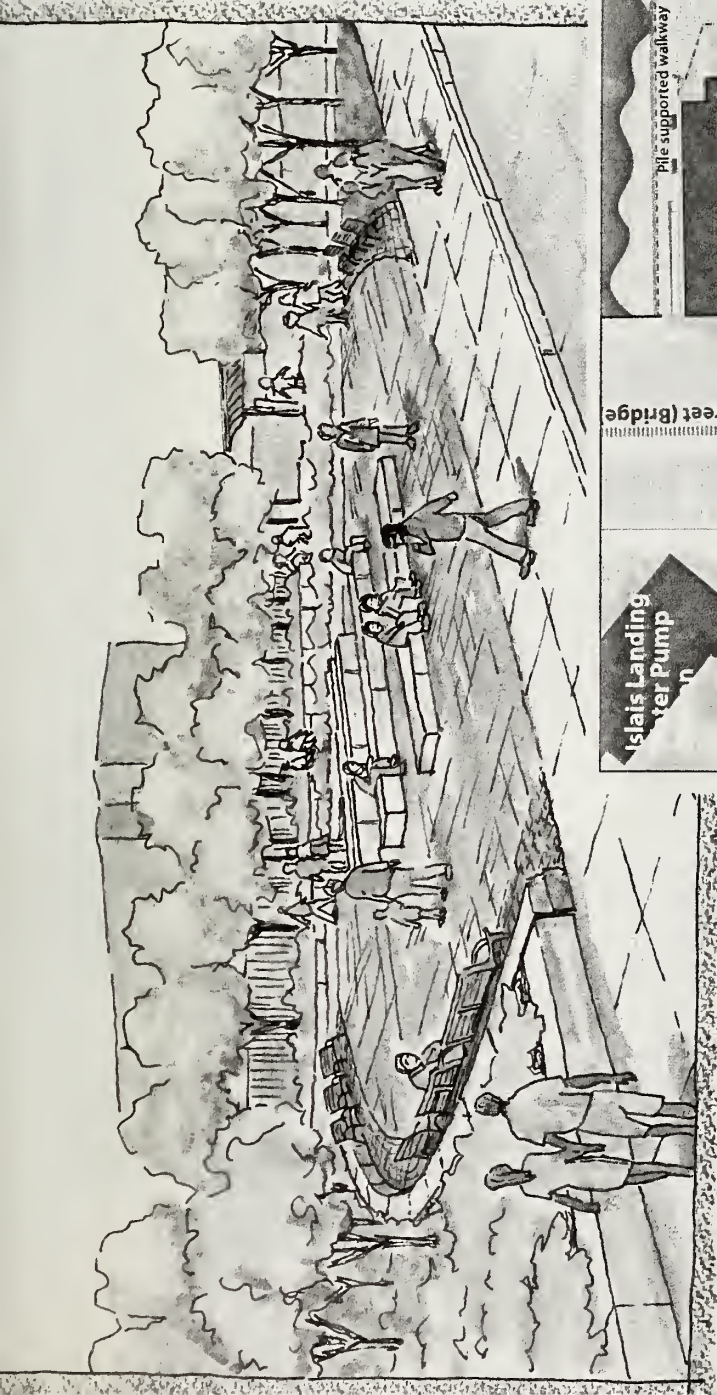


Exhibit 4, Bayview Rise Silo Public Art



- Islais Plaza - benches, picnic tables, and shade structure
- Fruit Trees
- Nut Trees within a pervious walkable surface
- Islais Berry Patch
- Permeable granite pavers 4' width zone for seating or circulation
- Illinois Weight Station Plaza - benches, tables, and interpretive elements
- Pedestrian railroad crossing
- Locations for signature Gateway art
- Landscaping throughout California coastal low shrubs
- Fence along both sides of rail tracks, 4' height, chain link
- Realigned corner with sidewalk, landscaping and Gateway art (not part of proposed project)

Exhibit 5, Bayview Gateway Plan

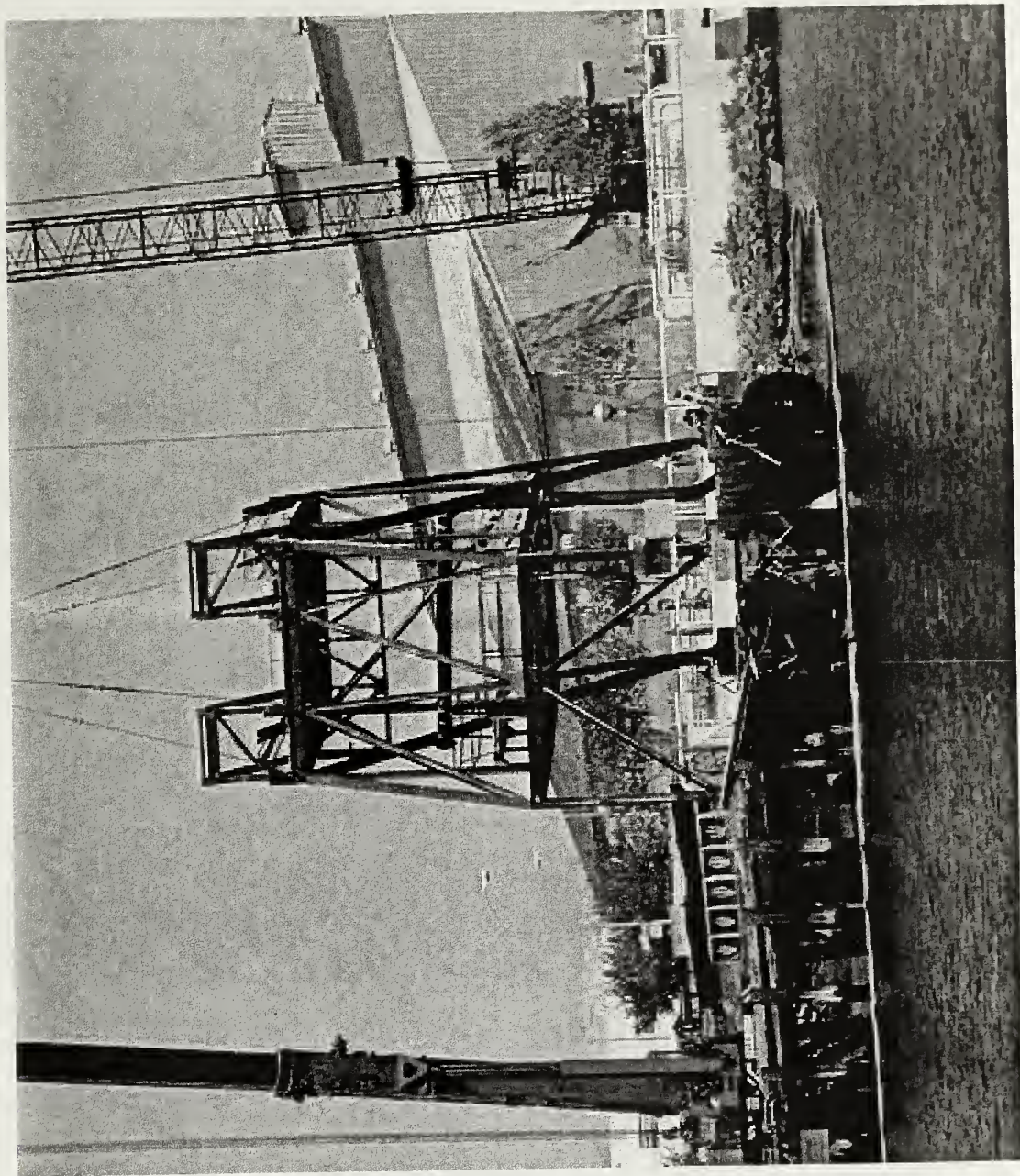
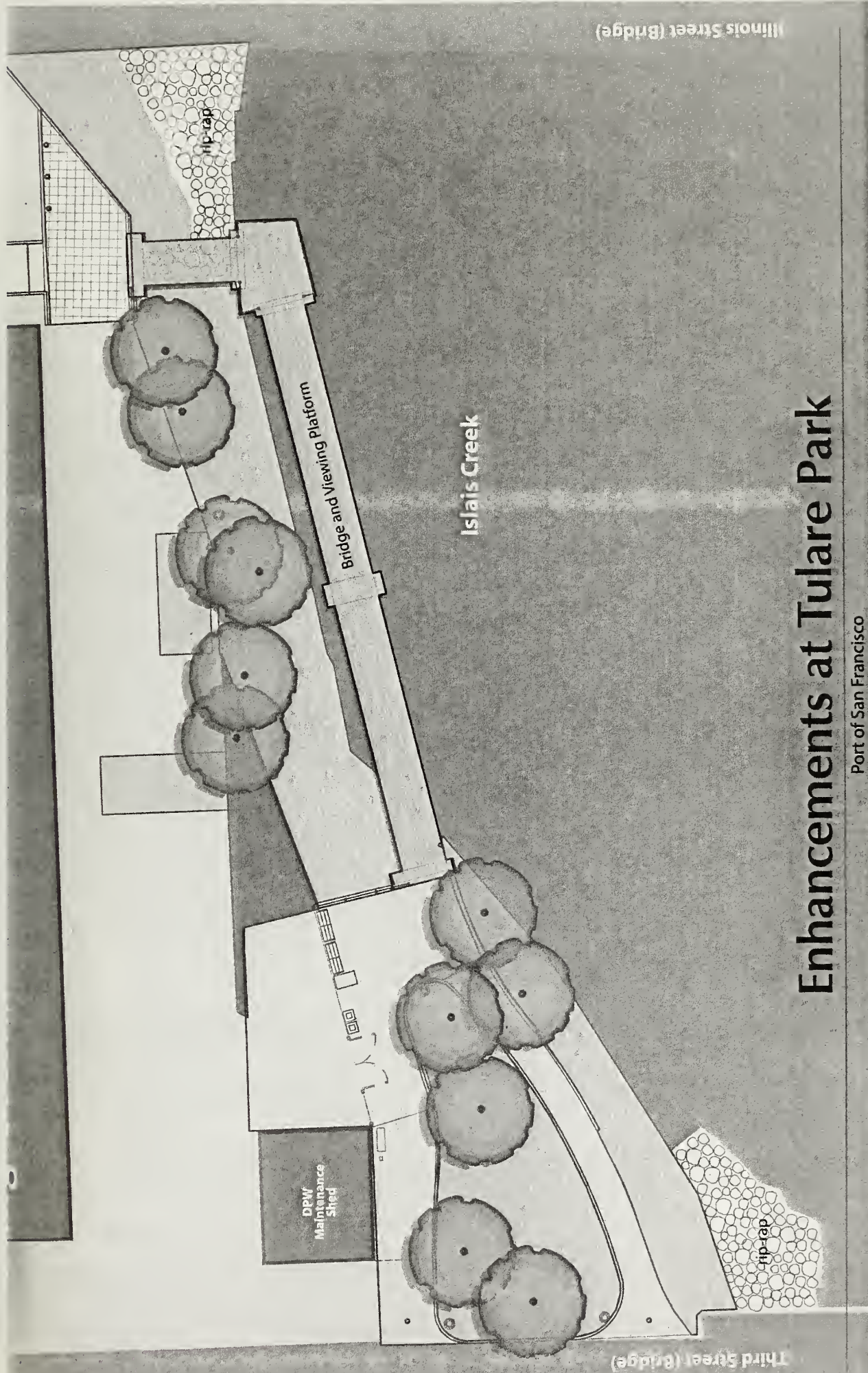


Exhibit 6, Copra Crane Site Photos



Enhancements at Tulare Park

Port of San Francisco

Exhibit 7, Tulare Park Site Plan

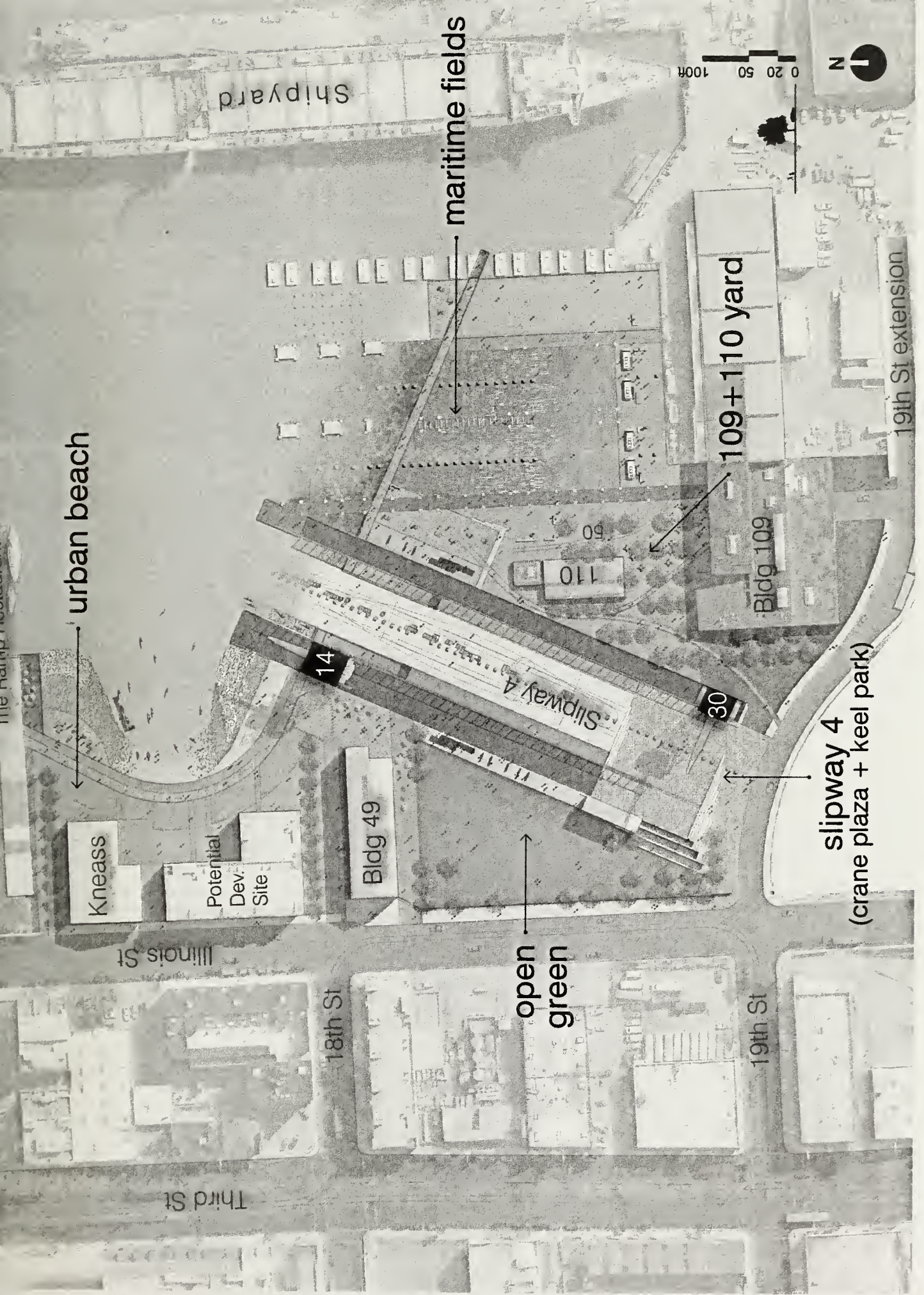


Exhibit 8, Crane Cove Park Master Plan- Site Plan



Exhibit 9, Crane Cove Park Master Plan- Aerial Perspective



Exhibit 10, Crane Cove Park Phasing Plan

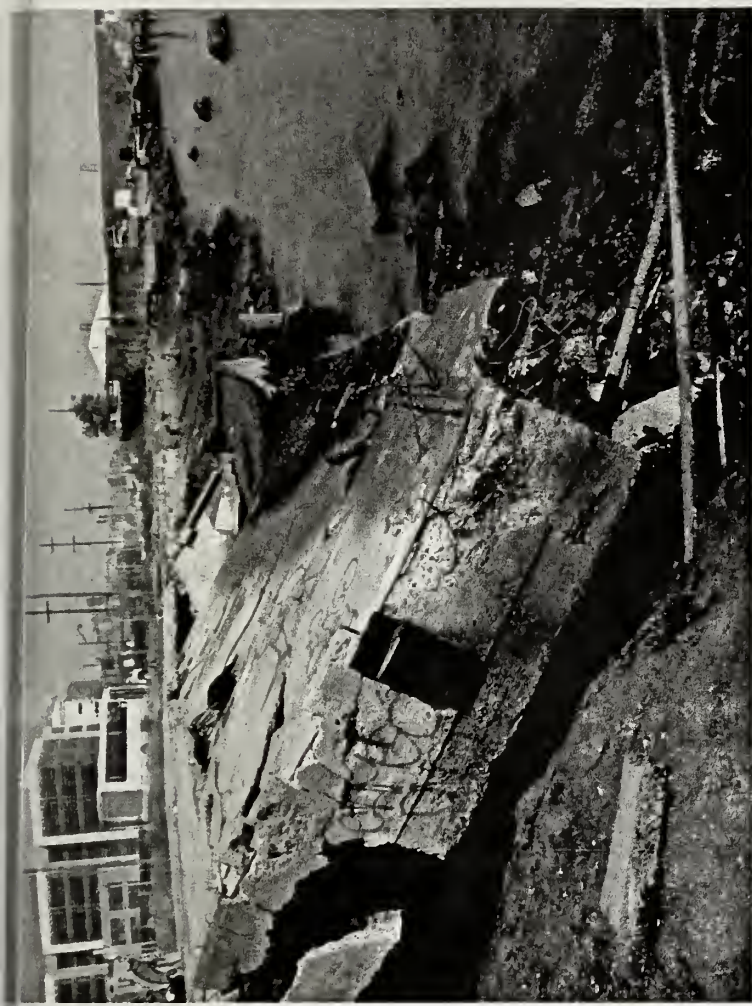
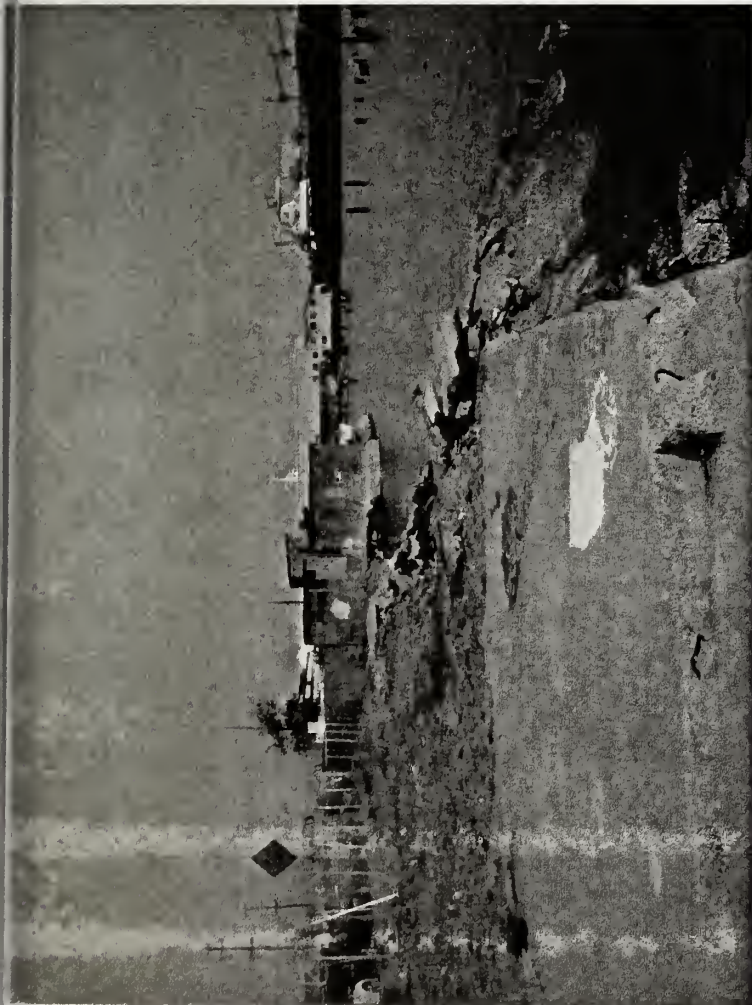


Exhibit 11. Bayfront Park Shoreline Photos

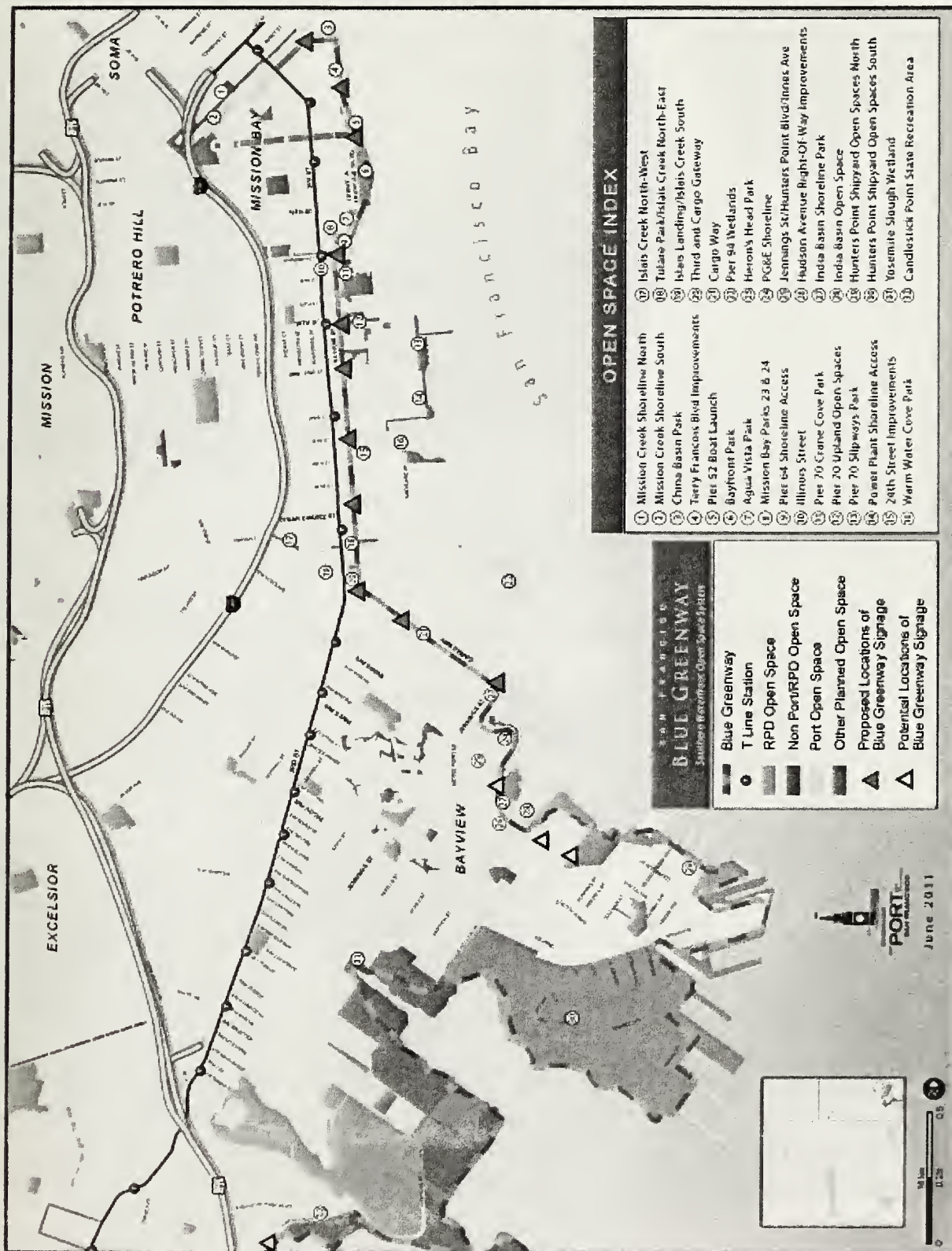


Exhibit 12, Blue Greenway Signage Concept and Locations

Islais Landing
Water Pump

Improvements west of
Third Street not part of
current project-shown for
planning purposes only.

Firehouse

Firehouse parking and yard

Arthur Avenue

Bay Park
Business
Center

Cargo Way

pet Car

Public Art
Location(s)



MEMORANDUM

September 19, 2013

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Willie Adams
Hon. Leslie Katz
Hon. Mel Murphy

FROM: Monique Moyer *M Moyer*
Executive Director

SUBJECT: Authorization to Issue Request for Proposals to lease The EcoCenter at Heron's Head Park, at Jennings St. and Cargo Way, including the building located at 32 Jennings Street and surrounding 6,058 square foot license area.

DIRECTOR'S RECOMMENDATION: APPROVE RESOLUTION

EXECUTIVE SUMMARY

Port staff is seeking authorization from the Port Commission to issue a Request for Proposals (the "RFP") from qualified entities to operate and program the EcoCenter and surrounding outdoor license area located in Heron's Head Park in the southern waterfront. The EcoCenter is a unique green building, designed and constructed to serve as an environmental education center. Port staff proposes to offer the EcoCenter lease opportunity under provisions that emphasize the EcoCenter's public benefit potential.

BACKGROUND

Heron's Head Park is a 22-acre open space owned and operated by the Port of San Francisco (Port) dedicated to wetland and wildlife habitat and passive recreation (see Exhibit A). The EcoCenter is an approximately 2,300 square foot building within Heron's Head Park. The EcoCenter is comprised of a single open meeting room (maximum occupancy: 64 people), adjacent wastewater treatment room, two unisex disabled-accessible restrooms, and two very small office and utility rooms.

THIS PRINT COVERS CALENDAR ITEM NO. 9B

Since 2007, a non-profit organization in the Bayview-Hunters Point neighborhood, Literacy for Environmental Justice (LEJ) has leased the footprint of land beneath the EcoCenter and a surrounding 6,058 square-foot non-exclusive outdoor license area (see Exhibit B).

LEJ constructed the EcoCenter in 2009 and 2010 to provide an educational resource for the surrounding community. The EcoCenter serves as a demonstration of green building technology, including solar power, a green roof, sustainable building materials, on-site wastewater treatment, and rainwater harvesting and reuse. In July 2013, the EcoCenter was certified by the United States Green Building Council as a Leadership in Energy and Environmental (LEED) Platinum building. It is the first LEED Platinum – Zero Net Energy Building¹ in San Francisco.

The EcoCenter serves as an important component of the Port's public trust mission to promote public access to the waterfront and preserve natural resources. It attracts a tremendous number and variety of visitors to Heron's Head Park for both education and recreation. The EcoCenter provides an opportunity to house and enrich the Port's environmental education programs at Heron's Head Park, which are offered at low or no cost to schools, community groups, and the general public.

Since constructing the EcoCenter, LEJ has experienced financial and staffing setbacks and is unable to operate, maintain and program the EcoCenter. LEJ approached the Port seeking to terminate its lease and operations at the EcoCenter. Port staff intends to seek Port Commission authorization to negotiate and execute a mutual termination agreement with LEJ, through which ownership and operation of the EcoCenter would transition from LEJ to the Port and allow the Port to lease the EcoCenter to a new operator. A mutual termination agreement would also be subject to approval by the Board of Supervisors of the City and County of San Francisco under Charter section 9.118.

The EcoCenter was originally envisioned as an environmental education center that would house environmental education programs, demonstrate green building technology, and provide meeting space for compatible community uses that do not adversely impact public access or wildlife habitat in Heron's Head Park. The Port staff proposes to issue a Request for Proposals (the "RFP") from qualified entities to operate and program the EcoCenter in keeping with that purpose. The Port proposes to undertake a competitive selection process and subsequently recommend execution of a new lease with a new building operator, subject to Port Commission approval. Execution of a new lease is contingent upon Port Commission and Board of Supervisors' approval of the anticipated lease termination agreement with LEJ.

¹ A Zero Net Energy Building is generally defined as an energy efficient building enabled to generate energy from renewable sources to compensate its own energy demand

PROJECT OBJECTIVES

The RFP specifies the following objectives for operation and programming of the EcoCenter:

- **Promote public access and participation** through structured programing and interpretive resources. Under a new operator, the EcoCenter should be open free to the public at least four days per week, including at least one weekend day. Programming should offer opportunities that serve a range of users from casual park visitors, to drop-in and recurring volunteers, students and professionals. The EcoCenter operator will also be responsible for developing interpretive material that educates visitors to the EcoCenter when it is closed, such as signage, audio tour, or web-accessible program.
- **Maximize the educational and other public benefits that the EcoCenter offers.** The new operator will be required to deliver programs that educate users about sustainability and bay and wetland ecology. At a minimum, providing educational programs for San Francisco public schools and coordinating with existing environmental education programs offered by the Port through its partnership with the Recreation and Parks Department's Youth Stewardship Program are required. The RFP will require each proposer to submit a proposed "Operations and Program Plan" that describes its proposed use of the EcoCenter and how it will fulfill the Port's goals for the EcoCenter as an educational and community resource. The lease will be structured to include tenant's performance obligations related to its Operations and Program Plan. Failure to meet performance obligations will be cause for termination.
- **Engage the local community.** The Port considers community participation to be an essential component of EcoCenter operations and strongly encourages partnerships that enable significant participation from the southeastern sector of San Francisco. Education programs should be designed to meet the needs and interests of local schools, youth groups and community groups. The EcoCenter must also be available to public agencies or community organizations hosting or sponsoring public meetings that serve the local community, such as the Port's Southern Waterfront Advisory Committee.
- **Operate the building systems and maintain surrounding landscaping in good condition.** The tenant's obligations will include routine observation of water (including rainwater collection), wastewater and energy systems in the building, and tending native plant landscaping in the non-exclusive license area. The Port will be primarily responsible for maintenance and repair of the building, including water, wastewater and electrical service.
- **Coordinate with the Port staff** to facilitate the Port's maintenance of the EcoCenter. The tenant will be responsible for routine day-to-day operation of the building system, including observing and reporting problems to the Port. The tenant will also be required to allow the existing Port-funded environmental education programs access to the EcoCenter, provided that such access does not

unreasonably impact the tenant's use. To the extent that outdoor education is part of its programs, the tenant will be required to coordinate with the Port to organize volunteer efforts that support habitat stewardship in the surrounding Heron's Head Park.

PROPOSED KEY LEASE TERMS

A draft lease for the EcoCenter building and surrounding non-exclusive license area based on the Port's current standard lease form will be attached to the RFP. The RFP will specify that the successful proposer must be able to enter into a substantially similar lease, including the proposed key lease terms described below. The final lease will include performance measures related to delivering the environmental education and public access goals derived from the tenant's Operations and Program Plan. The final terms of the lease will be negotiated by Port Staff, consistent with the terms described in this staff report, and will be subject to final approval by the Port Commission.

Permitted Use

The EcoCenter will be used primarily for education and public access with a focus on green building, sustainability, and San Francisco Bay habitats. The EcoCenter must be open for free public access at least four days per week, including at least one weekend day. However the tenant will be expected to use its best efforts to use the EcoCenter to its fullest potential.

The EcoCenter will also be used for community meetings and assembly space for purposes related to its education and public benefit mission. Subject to prior consent by the Port, the tenant may hold a limited number of Special Events to support the tenant's fundraising for operation and programming of the EcoCenter.

The RFP will require each Proposer to submit a "Operations and Program Plan" that describes its proposed use of the EcoCenter and how it will fulfill the Port's goals for the EcoCenter as an educational and community resource. The Operations and Program plan must provide specific, measurable goals for programming at the EcoCenter, such as type (age, school, volunteer, professional) and number of participants or programs, participation by local entities (businesses, community organizations, students, families), or other measures relevant to the nature of the tenant's program. These measures will form the basis for the tenant's performance criteria that will be incorporated into the lease. The tenant will be required to keep records regarding programming and achievement of established performance criteria, and submit quarterly reports regarding EcoCenter operations and programming to the Port. Either Port or the tenant may propose revisions to the Operations and Program Plan as warranted to ensure that the public benefit goals for the EcoCenter are realized. Revisions to the Operations and Program Plan will be subject to Port approval and will be incorporated into the lease.

Prohibited Uses

The following are prohibited:

- Use of the premises for overnight stays, sleeping, or for personal living quarters;
- Activities that would prevent or impede public access to the non-exclusive license area;

- Any activity that requires an After Hours Permit from the San Francisco Police Department or Entertainment Commission;
- Parties or events that use any amplified music, or any live music that can be heard 120 feet or more from the building to avoid impact to wildlife and/or neighbors;
- Parties or events requiring an entry fee sponsored by entities other than the tenant; and
- Retail sales other than branded items or other park-related items sold as part of the tenant's fundraising activities.

Term

Port staff recommends a minimum 5-year lease with two possible 2-year options to be offered at the Port's sole discretion, provided that the tenant has met its performance obligations and is in good standing with respect to all other lease provisions b. Proposers may propose other lease or extension options.

Rent

The primary purpose of the EcoCenter is to provide a public benefit to the community by promoting public access for education and recreation, providing high-quality, readily accessible programming, and supporting stewardship of the building and the park. The allowable uses of the EcoCenter, under the proposed lease terms are very limited and offer no significant opportunity to generate revenue on-site (either within the building itself or on the grounds surrounding the building that constitute the non-exclusive license area). The proposed lease terms require that the EcoCenter be open free to the public at least four days per week, which imposes a significant annual expense to the organization for staffing and routine operations. This expense is unlikely to be recoverable through revenue generation on-site due to the use restrictions outlined above. Most organizations that would be qualified and interested in vying for the lease opportunity are non-profit organizations that operate on very constrained annual operating budgets. If rent payment was required, every dollar spent on rent would be unavailable for programming or other community benefit related to the facility. Therefore, the proposed lease terms include a base rent payment to the Port of \$1 per year, provided that the tenant is a non-profit entity.

Deposit

Respondents to the RFP will not be required to submit an earnest money deposit with their proposals. A security deposit of \$5,000 will be required upon execution of the new lease.

Maintenance/Repairs

During the term of the lease, the tenant will be responsible for routine building operations, including cleaning, monitoring function of the energy, water and wastewater systems, and reporting maintenance needs to the Port in a timely manner. The tenant will be responsible for weeding, watering, and replacing plants in the non-exclusive license area. The Port will be primarily responsible for maintenance and repair of the building, including water, wastewater and electrical service.

Insurance

The tenant will be required to provide insurance coverage acceptable to the Port and the City Risk Manager.

Standard Lease Provisions

The lease will contain all current lease provisions on the standard form approved by the City Attorney's Office, including compliance with laws, Port's Right to Terminate, Indemnity and Exculpation, and Hazardous Materials, except for the provision regarding assignment or sublease. For the proposed EcoCenter lease, the tenant will not be allowed to assign or sublease its interest without the prior written consent of Port staff.

EVALUATION PROCESS

The RFP will include a site map, a narrative description of the opportunity, environs, site, project objectives, required regulatory approvals, lease parameters, evaluation criteria, process, and schedule, and submittal requirements. Proposers will be asked to submit an "Operations and Program Plan" that describes how their organization and proposed program for the EcoCenter will serve its purpose as an educational and community resource. The successful Proposer will be required to adhere to performance obligations consistent with those goals.

Port staff will initially review all submittals for compliance with minimum qualifications. Those that meet minimum qualifications will be further reviewed by Port staff and other appropriate parties for quality based on the evaluation criteria. A panel of qualified reviewers will assist Port staff with this review, and public presentations may be required. In addition, Port staff may, at its sole discretion, independently investigate the qualifications of certain Proposers and/or conduct interviews with members of certain Proposers' team. The Port staff reserves the right to request clarification or additional information from a Proposer.

Minimum Qualifications

Each Proposer individually or collectively (as a team), must have the following minimum qualifications to be considered for this opportunity:

- Five years of experience managing a facility and/or program similar in nature to the EcoCenter and/or its program goals.
- Sufficient organizational and financial capacity to provide the program proposed.
- The ability to obtain all required insurance policies as listed in the standard form lease and all permits, licenses or other approvals required for the proposed program.

Any submittal that does not demonstrate that the Proposer meets these minimum requirements will not be eligible for further consideration. Proposals meeting minimum requirements will be analyzed with respect to the following evaluation criteria to identify the most qualified Proposer:

Experience, Qualifications and Response to Port Goals:

- Experience to professionally staff and manage the proposed operation in a safe and secure manner and comply with requirements of the proposed lease.
- Experience in environmental education demonstrated by either organizational experience or a proposed staffing/partnering program to provide those services.
- Evidence of ability to secure all permits and licenses required for the proposed operation.
- Demonstrated experience in working with civic institutions.

Operation and Program Plan:

- Ability of proposed programming to meet the Port's project objectives as described above. Proposed programming may include elements not currently specified but offering added value.
- Proposed education and public outreach activities, including hours of operation, key staff, targeted participant groups, anticipated type and number of programs provided and participants served.
- Integration of proposed EcoCenter programs with the surrounding Heron's Head Park, including service learning and volunteer opportunities that support stewardship of the upland and wetland habitats at Heron's Head Park.
- Proposed measures and reporting to demonstrate to the Port that its goals for the EcoCenter are being achieved.

Financial Proposal, Capability, History and Terms:

- Proposer's ability to finance the proposed operations as determined by review of financial information submitted with lease application.

Port staff will then return to the Port Commission to present its analysis, the review panel's analysis and recommendation, and seek approval of the recommended Proposer and final lease terms. Under the terms described in this staff report, the lease would not be subject to Charter section 9.118, which requires Board of Supervisors' approval. Following Port Commission approval of the recommended Proposer, Port staff would negotiate and execute the new lease.

LOCAL BUSINESS ENTERPRISE PARTICIPATION

The Port of San Francisco encourages the participation of local entities in this RFP, including businesses, community organizations, and as participants in future public programs. With respect to businesses, Port staff will reach out to "Local Business Enterprises ("LBEs") through the Port's Website, City's Human Rights Commission, Mayor's Office of Community Investment, Chambers of Commerce, and print advertisement, and targeted mailings.

PROJECTED RFP SCHEDULE

Port Commission Authorization to Issue RFP:	September 24, 2013
Issue RFP:	September 25, 2013
Pre-submittal Conference	October 8, 2013, 2:00 p.m.
Site Tours for prospective Proposers:	October 12, 18, 23, 2013

Final Q&A from tours and conference posted: October 26, 2013
Submittal Deadline: **November 8, 2013, 2:00 p.m.**
Selection of recommended Proposer: November 2013
Port Commission authorization to award lease: December 2013

RECOMMENDATION

Port staff recommends that the Port Commission approve the attached resolution authorizing staff to prepare and offer, through the RFP process, a lease for operation of the EcoCenter at Heron's Head Park.

Prepared by: Carol Bach, Environmental & Regulatory Affairs Manager
Planning & Development Division

Jeffrey Bauer, Senior Leasing Manager
Real Estate Division

For: Byron Rhett, Deputy Director
Planning & Development Division

Susan Reynolds, Deputy Director
Real Estate Division

Exhibit A: Site Location, The EcoCenter at Heron's Head Park
Exhibit B: Site Plan for lease opportunity

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 13-38

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the authority and duty to use, conduct, operate, maintain, manage, regulate and control lands within Port jurisdiction; and
- WHEREAS, The Port seeks a new operator for the 2,292 square-foot building located within the Port's Heron's Head Park, known as "the EcoCenter at Heron's Head Park" (the "EcoCenter") and the surrounding 6,058 non-exclusive license area; and
- WHEREAS, The EcoCenter provides a valuable community benefit in an area of San Francisco underserved by open space and recreational facilities and also offers potential public benefit to the larger San Francisco and Bay Area community; and
- WHEREAS, Port staff has requested Port Commission authorization to seek proposals to lease and operate the EcoCenter and surrounding license area for such public benefit purposes by issuing a Request for Proposals ("RFP") as described in the staff report accompanying this memorandum; and
- WHEREAS, A panel of qualified reviewers will evaluate the proposals and Port staff will present the evaluation panel's recommendation of an operator of the EcoCenter to the Port Commission at a future meeting of the Port Commission for approval; now, therefore, be it
- RESOLVED, That the Port Commission authorizes staff to offer the opportunity for the lease, operation, and programming of the EcoCenter at Heron's Head Park, through an RFP process consistent with Port standards, including the terms set forth in the Memorandum to the Port Commission dated September 19, 2013.

I hereby certify that the Port Commission at its meeting of September 24, 2013 adopted the foregoing Resolution.

Secretary

Exhibit A. Site Location, The EcoCenter at Heron's Head Park

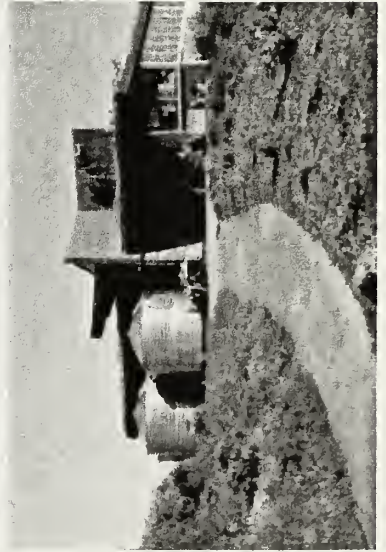
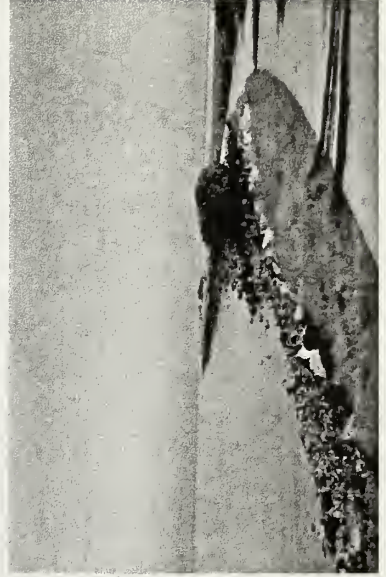
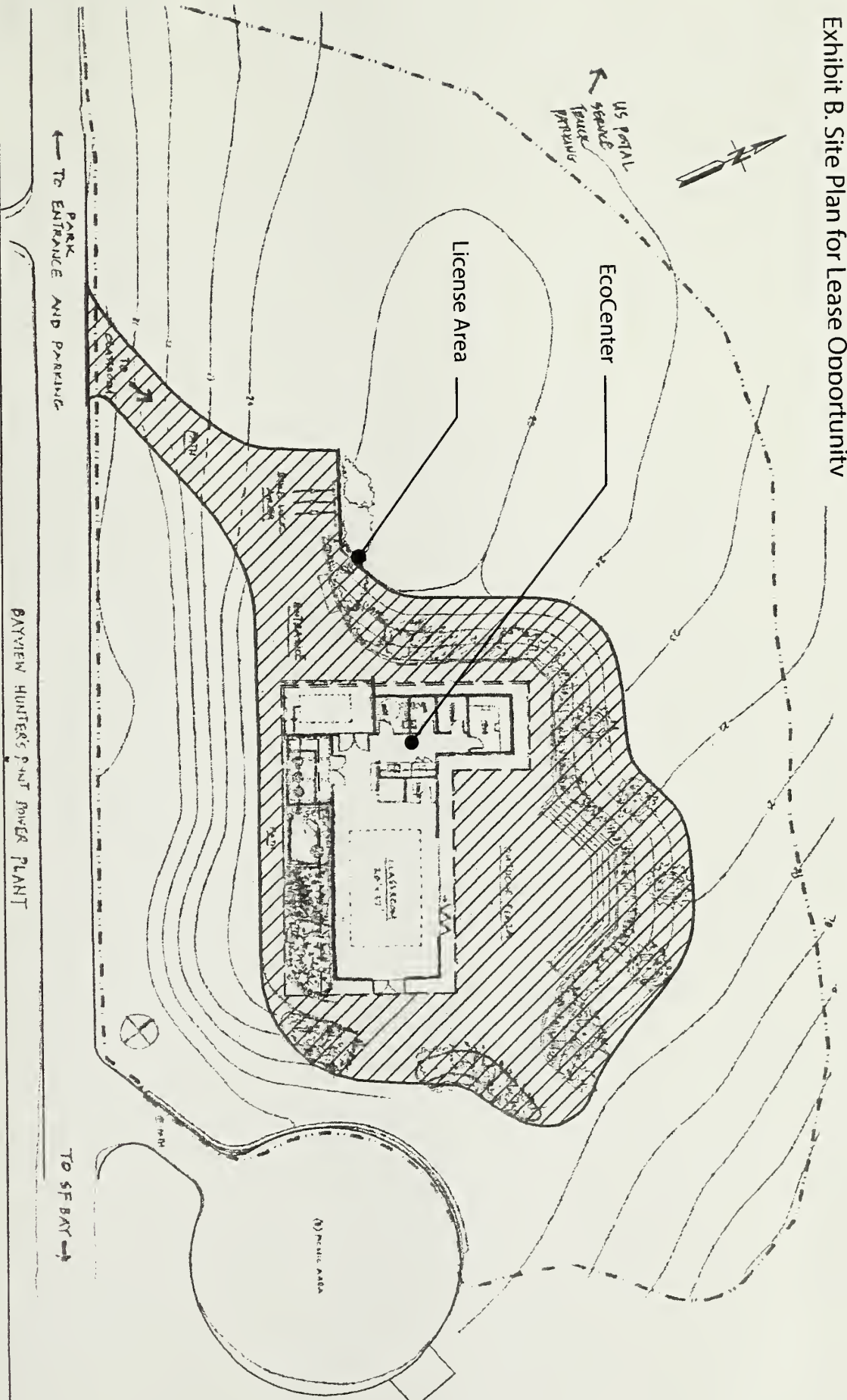


Exhibit B. Site Plan for Lease Opportunity



NON-EXCLUSIVE LICENSE
AREA ≈ 6,058 SQ. FT.
(NOT INCLUDING FLOOR PLAN AREA)





SAN FRANCISCO PORT COMMISSION

**SEPTEMBER 24, 2013
MINUTES OF THE MEETING**

GOVERNMENT
DOCUMENTS DEPT

OCT - 4 2013

MEMBERS, PORT COMMISSION
HON. DOREEN WOO HO, PRESIDENT
HON. KIMBERLY BRANDON, VICE PRESIDENT
HON. WILLIE ADAMS
HON. LESLIE KATZ
HON. MEL MURPHY

SAN FRANCISCO
PUBLIC LIBRARY

MONIQUE MOYER, EXECUTIVE DIRECTOR
AMY QUESADA, COMMISSION SECRETARY

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES OF THE MEETING SEPTEMBER 24, 2013

1. CALL TO ORDER / ROLL CALL

Port Commission President Doreen Woo Ho called the meeting to order at 3:25 p.m. The following Commissioners were present: Doreen Woo Ho, Kimberly Brandon, Willie Adams, Leslie Katz and Mel Murphy.

2. APPROVAL OF MINUTES – September 10, 2013

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. The minutes of the September 10, 2013 meeting were adopted.

3. PLEDGE OF ALLEGIANCE

4. ANNOUNCEMENTS – The Port Commission Secretary announced the following:

- A. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting: Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments: Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

5. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

6. EXECUTIVE

A. Executive Director's Report

- 34th America's Cup Final Match – September 7-21, 2013
- Commendation to the Golden Gate Yacht Club for the 34th America's Cup
- Commendation to the America's Cup Organizing Committee for the 34th America's Cup Races

Monique Moyer - I have a deviation from my planned Executive Director's Report. We were anticipating when this went to print that the America's Cup would be finalized by now. It seemed fairly certain over a week ago. The protocol had the races ending Sunday, as a matter of fact, but as of today it is now tied, and tomorrow or whenever racing resumes it will be do or die time. Whoever wins the next race will win the America's Cup.

The race as of right now is scheduled on Wednesday, September 11 at 1:15 on San Francisco Bay. It is a tied score, Oracle Team U.S.A. at eight wins and Emirate's Team New Zealand at eight wins, and it's the first to nine. I would like to give an update on the America's Cup and give some recognitions and commendations to our partners at our next Commission meeting on October 8, 2013. I hope that suits all of you. I couldn't persuade them to leave where they are now to come join us today, so we will be able to see them in two weeks' time.

- Fleet Week Senior Leadership Seminar – October 10, 2013 at Marines Memorial Club from 7:30 a.m. to 4:30 p.m.

As most people know, due to sequestration and federal budget cuts Fleet Week as we normally know it, with the parade of ships, the visiting vessels and tours and the air show, is not going forward this year. It has not gone forward this year in any city but the Fleet Week Committee is still planning to go forward with the humanitarian aspects and disaster preparedness aspects of Fleet Week.

There are two events happening that we want to draw everyone's attention to. The first is the Fleet Week Senior Leadership Seminar, which is on October 10, 2013. This year, rather than being hosted on a vessel at Piers 30-32, it will take place at the Marine's Memorial Club. This is where we have representatives from all the military forces as well as from many of the emergency response forces, FEMA or EPA or NOAA together with representatives of local sheriffs, police, and fire departments. The Port will participate.

This will be the fourth annual Senior Leadership Seminar. This is an ability to see face to face and meet your counterpart so that you're not meeting them for the first time when there is a pretty significant emergency, but also to learn from others how they have responded. In the past, for example, there have been presentations about responding to the nuclear disaster and tsunami in Japan by the U.S. Navy and others in the United States that responded, or responding to the earthquake in Haiti, for example. That event will take place on October 10 at the Marine's Memorial Club, which is located at Sutter Street from 7:30 in the morning till 4:30 PM. If you get a chance to stop by, we'd welcome that.

- Port Reopening Tabletop Exercise and Dive Exercise – October 8, 2013 at Pier 1 from 8 a.m. to 4 p.m.

The new event is a tabletop exercise and a dive exercise, which will happen on October 8, 2013 from 8 a.m. to 4 p.m., which is unfortunately almost right on top of our Commission meeting. We'll miss some of the exciting part. The Port is hosting this reopening exercise, and the exercise is to show how a port such as ours would be reopened after a major event.

It's a table-top, which means rather than being out in the field and practiced it's actually a discussion with representatives of federal, state, local and private organizations who will plan and discuss how we would bring naval ships from outside the Golden Gate into a pier at San Francisco. Presumably such ships would be carrying needed supplies in the wake of a major earthquake, which was how the response was handled in 1906, for example. This is part of a multi-year plan to test Navy and Marine Corps humanitarian assistance/disaster response capabilities in coordination with the City of San Francisco and the Port of San Francisco. Again, this began in 2010.

Following a major earthquake, of course, we'll all be relying on the federal government for assistance, which would include the Department of Defense, the Coast Guard, the Army Corps of Engineers and our state and local partners which we've practiced with many times and actually experienced some real events with.

What's interesting and exciting is on October 8th at 2:00 PM, the center will host a dive exercise, which will be right here in the waters next to Pier 1 and the Ferry Building. The exercise is designed to test coordination and communications between the Port, the San Francisco Fire Department and Police Department Marine Unit, the Coast Guard, Navy, and Marine Corps divers, some of which will use SCUBA equipment and others like our Port divers will use their hard hats, which are basically the helmeted diving equipment.

The purpose of that drill will be for divers to inspect Pier 1 piles for damage as well as the bottom of the bay for large items that might have fallen during a significant earthquake and which could become hazards to navigation. Media representatives as well as all the participants in the tabletop are invited to come and watch the events happening right off Pier 1 and our public access. Maybe we'll convince SFGovTV to let us open the windows and watch ourselves a little bit when we meet in two weeks' time. Those are the events around Fleet Week. I'll probably report to you again after they occur on how they went. It's exciting for all of us to think about.

Commissioner Adams - Let me say to Director Moyer I really appreciate the information. I also want to thank Director Moyer, Commissioners Katz and Murphy for attending the Propeller Club luncheon on September 19, 2013 at

Scott's. The Port of Oakland was there. It was the two leading maritime of the West Coast: Jim McKenna, Head of the Pacific Maritime Association and Bob McElrath, the President of the ILWU. We had a good turnout. I think there were about 100 people. I think they laid out the direction that the West Coast Ports have to go to stay competitive and to stay vital. I thought there were a lot of good questions, and they had a little bit of a talk about market shares and what we need to do in our West Coast Ports. Specifically I'm concerned about San Francisco and even Oakland how we stay competitive because of competing with the Panama Canal opening up and stuff like that. I think they laid it out. It was very informative. I appreciate having my fellow Commissioners there. I think they will also say it was very informative. It laid out the road ahead on where we have to go.

B. In celebration of the Port's 150th Anniversary: Presentation on the Port of San Francisco's Historic Seawall, Where the City Meets the Bay.

Uday Prasad, Interim Deputy Director and the Chief Harbor Engineer of the Ports Engineering Division - In response to your request and as part of the Port's 150th anniversary celebration, Port staff have been making monthly presentations for the past several months about many of the Port's public benefits and the contributions to the city and the Bay region.

This presentation about Port's historic seawall follows the same series of presentations. The Port's first seawall was built around the 1850s. It played a key role in reshaping the San Francisco waterfront from a highly chaotic place as shown on the left of this slide to the well-organized, beautiful place that you see today. Port's historic seawall runs about four miles from Aquatic Park in the north to Pier 50 in the south. As shown in this slide, it's located below the eastern sidewalk up Embarcadero in front of the Port's piers and wharves.

The seawall is one of the most important structures along the city's eastern boundary and within the seven and a half miles of the Port's jurisdiction. It provides the structural support to the adjoining land mass which, in turn, supports a large network of structures and utilities belonging to the Port and other local agencies, such as Muni, SFPUC and BART. Above all, it provides flood protection to the eastern portion of the city, which includes the Embarcadero Promenade and Financial District.

I would like to hand it over to the Port Structural Engineer Joe Roger, who will go over the construction history and the structural features of the seawall. After his presentation, I will come back again to go over the sea-level rise and seismic issues.

Joe Roger, Structural Engineer for the Port of San Francisco - I will now continue with the seawall presentation. Today's waterfront edge, where the city meets the bay, is very different from the city shoreline in 1863 which, in turn, was quite different than the city shoreline at the start of the 1848 Gold Rush. From 1848 to 1863, the development of the San Francisco waterfront was

disorganized and poorly planned. Cargo ship traffic was growing much faster than the waterfront's infrastructure could handle.

In 1863 the State of California took control of the port and established the Board of State Harbor Commissioners (BSHC) to develop master plans for a new waterfront port infrastructure. This slide depicts the Eddy Red Line Map, indicating the original 1848 shoreline and the 1851 waterline perimeter for the undeveloped water lots. This map shows the original 1848 shoreline and also shows our current curvilinear seawall and pier development.

In 1867 seawall construction commenced. Essentially a rock dyke was constructed, extending intermittently in a zigzag fashion from Union Street to Green Street and Mission Street to Pacific Street, as noted in this slide. On February 28, 1876 the State Legislature adopted harbor lines, which were two curving parallel lines, a bulkhead line, which would be landfill, and a pier head line 600 feet out into the bay from the bulkhead line, the farthest point allowed for construction of piers or other features.

The same harbor lines were substantially adopted by the U.S. Army Corps of Engineers in 1888. In 1901 the state pier head line was moved out to 800 feet from the bulkhead line in order to accommodate larger ships. The bulkhead line eliminated the patchwork and jagged zigzag lines of the original seawall authorized by the BSHC in the prior decade.

The second phase of the seawall project started in 1878, and this date is considered as marking the beginning of the permanent harbor of San Francisco. This new seawall, using a rock dyke design similar to the zigzag design, extended continuously from Pier 45 to China Basin along the newly established bulkhead line.

In 1909 Henry Brunnier, Port of San Francisco "Draftsman," redesigned the seawall to include a reinforced concrete wall over concrete piles driven through the rock dyke. By 1926 seawall construction was, for the most part, completed from the east side of Aquatic Park to Pier 50, and by 1929 the seawall was extended to Hunters Point. Although specific sections of the seawall constructed prior to 1906 were strengthened after the 1906 earthquake, in particular from Aquatic Park to Pier 50, it is the same more strengthened seawall that is functioning today.

These pictures show the construction of the seawall at two separate locations. Initially, railroad tracks had to be installed to facilitate transportation of the seawall construction materials. Note that the location of the seawall is east of the existing shoreline in both photos. The most visible section of the seawall, from Pier 14 to Pier 22, forms the perimeter of the beautiful Embarcadero Roadway. Since 2007 the Port has been conducting annual inspections of the historic seawall. In general, the seawall is in very good structural condition. However, there are wood seawall sections in Fisherman's Wharf that need strengthening.

This photograph shows the Wharf J9 wood frame seawall. Port Engineering is currently working with its as-needed consultant in the preparation of engineering plans for the repair of this seawall.

Uday Prasad - The Port's seawall has performed well in providing flood protection to the city's waterfront for more than 100 years. However, it does face challenges as sea levels rise. At present, the total water level associated with a 100-year flood is at least 12-15 inches below the top of the Port's seawall along most parts of the waterfront with a few exceptions. One of these exceptions is the area located between the Agriculture Building and Pier 14, which you can see in this slide. This area gets flooded frequently during winter storms.

There is a wide range of sea-level rise predictions generated by different scientific panels at national and international levels. The San Francisco Department of the Environment has organized a city-wide panel made up of experts from different city agencies including the Port to study the latest available data to come up with the best recommendation for future sea-level rise. The sea level is expected to rise from 8-15 inches by the year 2050 and by 35-55 inches by the year 2100.

Last year our Port consultant, URS Corporation, evaluated the Port waterfront for flood risks associated with rising sea levels and prepared this inundation map, as shown in this slide. The red boundary indicates the extent of inundation associated with sea-level rise of 15 inches by the year 2050. The blue boundary indicates the extent of flooding associated with a sea-level rise of 55 inches by 2100. If you recall one of the slides in Joe's presentation, the original coastline matches closely with the blue boundary that you see on this map. It's interesting because it seems like Nature is taking it back. When I looked at that, it's really something to think about.

We can adapt to a sea-level rise of 15 inches by 2050 by building short walls along the edges of the Port's piers and wharves. However, adapting to a sea-level rise of 55 inches by 2100 appears to be a huge challenge. We will need to decide whether to raise the seawall at its current location or build a new seawall further out in the bay. Simply raising the seawall at its current location by several feet will cut off the Port's piers and wharves from the rest of the city. Building a new seawall further out in the bay will create new fill in the bay.

Finding a solution which provides flood protection to the city's downtown and Port's waterfront will require some serious negotiations with all regulatory agencies, including BCDC and all other agencies at local, regional, and state levels. Also with rising sea level, it will become increasingly difficult to repair and maintain Port's piers.

Seismic and liquefaction issues. During seismic-induced liquefaction the ground below the structure loses its strength, resulting in subsidence and sliding. If you recall Joe's presentation, the original coastline was somewhere along the western edge of Embarcadero. The space between the original coastline and the

existing seawall is filled with a liquefiable layer of soil. Several feet of ground subsidence and sliding of the seawall adjoining land is expected during a major seismic event.

Although the flood risks associated with sea-level rise are expected to happen gradually, a major seismic event could happen at any time, resulting in widespread chaos and destruction. This picture shows what could happen along the waterfront if we get a major 7.9-magnitude earthquake. Rebuilding after a major seismic event will not be easy. It will be very expensive and may take years.

The next two slides show a rough timeline of addressing sea-level rise and seismic issues. To prevent waterfront flooding associated with a sea-level rise of 15 inches or so, expected to occur by 2050, we will need to start installing flood protection barriers along the edges of the wharves and piers by 2030. Around the same time, we also need to start exploring solutions for a major sea-level rise of 55 inches expected to occur by 2100.

Timeline for addressing the seismic issues. This year we are working on a strategic plan to investigate and evaluate the seismic risks along the Port's waterfront. This will be followed by a complete investigation and evaluation over the next four to five years. Ultimately our goal is to create a seawall master plan. We are working with other city agencies, including the city's Capital Planning Division, to increase the awareness of seawall issues and to include seawall retrofit projects in the city's capital plan.

I would like to end my presentation with some interesting ideas for climate adaptation. The first one, as shown in this graphic, shows a wrap-around flood protection barrier around Piers 27 and 29 structures. The second one, which is not shown, may be to disconnect our piers from support piles and turn them into floating structures. The third one may be to build a flood gate at the Golden Gate Bridge. The last one, which may seem like a good idea sometime around 2150, is to pack up and relocate to higher ground.

This completes my presentation. Joe and I will be happy to answer any questions.

Commissioner Katz - It sounds like it's going to be adding new meaning to the phrase "wall on the waterfront," but that's a fight for another day. In terms of the planning that's going on, it seems like it's certainly not too early to start. We're probably already even a little behind in terms of trying to address some of these issues. It looks pretty dire if everything comes as predicted. In terms of working with the other city departments, have we come up with any other alternatives or are there any other areas of focus that we should be clamoring about or raising to the forefront?

Uday Prasad - Adapting to 2050 sea-level rise does not seem like a big deal. We can handle it internally. We can use the Port's resources but adapting to a 2100

sea-level rise is a big deal. It may cost a billion dollars. I don't think City or Port has those kinds of resources to take that on. So we may have to work at the federal and state level to seek some grant money.

I attended a couple of meetings with the city's Capital Planning Division. I think their bonding capacity is also limited. So I'm not sure whether we can issue bonds in the future to take care of the seawall. I'm not a finance expert, but these are some thoughts that are coming to my mind. To give you some idea, we don't have to worry about 2100 sea-level rise at least until sometime around 2050. At that time we need to seriously start looking into some solutions and look for funding sources. We can look for funding sources now, but the real construction may not start until sometime after 2050.

One of the biggest concerns I have is the seismic issue, which can happen at any time. It will happen if you get a major earthquake. People think we can start rebuilding right away, but when your ground is unstable how are you going to start rebuilding? You have to evaluate the ground first. You have to get a soil expert to evaluate your ground. Along the waterfront I see that we can get an expert to evaluate the seismic risks associated with the seawall and the waterfront. That's what we're doing for the next four to five years.

Monique Moyer - I think that's a really important question, so I'd like to elaborate on it if I could. Uday referenced the Capital Planning Committee which, as you know, is a group of experts of city departments that engage in capital works, public works primarily, who come together and help prioritize those. They have made this a high priority, looking at sea level and sea-level rise.

SPUR has engaged with us to see how they can help. There are various groups around the bay who are trying to work on this. One of the fundamental constraints at the moment is that there is no concurrence on what sea-level rise really is. There seems to be more concurrence on what it is to 2050; but what it is at 2100 nobody knows. We're assuming that there's going to have to be a regional solution by 2100. There was a design competition. Uday made a joke about a gate at the Golden Gate, but that was one of the ideas that came forward in a design competition.

There's also a Danish group that has been very active, and there are a number of experts from the Bay Area who are participating in some think tanks with them on what to do. So there's quite a bit going on, none of which has come forward yet and said "This is how you respond." I do want to assure you that the other city departments, especially Muni and especially the PUC, both of whom have infrastructure that abuts the seawall, are very interested and concerned about what we're going to be doing.

More broadly, as a commission, we've already grappled with this, as we did the Brannan Street Wharf. Fortunately, that's not a commercial enterprise, so we were able to come up with a solution for that. As we go forward looking at leases that could have terms in excess of 2050, we are going to have a more robust

solution. BCDC and State Lands have already made it clear that they won't permit anything past 2050 until there is a solution. They're very much on the forefront. Long before we get to the building stage we have a lot of other work to do. Hopefully, you will be hearing quite a bit from us on this going forward.

Commissioner Katz - You actually did touch on my second question in terms of projected development. We've seen how much is going on throughout this entire area. As I looked at the overlay of where the potential problems are likely to occur and where most of the building growth is currently taking place, I wonder what kind of notice is being provided to not only the builders but we have some obligation to at least try and get the word out as folks are moving in there. Per Director Moyer's comments, we are obviously including that in our leases and factoring that in. But even with all the upcoming development projects that we're looking at, how that's going to be included?

Uday Prasad - For the various projects we are definitely looking for liquefaction solutions. Based on some conceptual schemes, they will be doing some soil improvements in front of the seawall. That will mitigate the liquefaction issue. Also, they are looking into raising the deck to some extent, which will mitigate the sea-level rise issue to some extent but not as far as raising the deck about five to six feet. Like Monique said, there are a lot of projections out there. The 55 inches in sea-level rise will happen, but when that's going to happen we don't know.

Commissioner Woo Ho - I think you referenced it, but I have a couple of questions. One, in terms of whatever is done for 2050, is that a down payment for what has to follow for 2100? In other words, if we think about it, you do step one and then you do step two. That's one thing. You may not be able to totally answer that question, but I'm just saying is that an approach?

The second, it's a huge problem. We just talked about the arena but if we were to extrapolate projects that are occurring on the waterfront, whether they're upcoming leases or projects like the arena, if you keep biting at the apple, so to speak, you could then eventually have the whole thing addressed. But trying to address the whole thing at once, obviously, is a daunting task.

The last piece is that we're not the only ones that worry. Monique mentioned regionally. There is obviously federal land involved here, in the Marina Green, Fort Mason and all that area and they have to face the same issue. So I guess the question is how are we coordinating with either the federal or the state level in terms of other areas that are related to San Francisco and coming up with something that jointly addresses the plan?

Of course, if we can't agree upon whether it's 35 inches or 55 inches, it doesn't seem to matter. You have to agree upon a plan first and then technically decide how far you're going to address the rise. That's a lot to swallow in one but those were the thoughts that were going through my head as you were talking.

Uday Prasad - To answer the first part of the question, we are taking steps. In particular, the Brannan Street Wharf Project, as you know, we tilted the deck a little bit, made the deck higher at the water's edge, which mitigates the sea-level rise effect to some extent. But I don't think that solution takes care of the 2100 sea-level rise. All these other projects that we have, the bigger projects along the waterfront -- whenever people talk to me, we want to make sure that they are addressing the sea-level rise issues.

If they go to the BCDC or the Engineering Criteria Review Board, they will ask the same question: What are you going to do? Your lease is for 60 or 70 years. We will have some problems beyond 2050, for sure. Taking care of the problem for sea-level rise associated with 2050 is completely independent of what we're going to do for 2100. A 2050 solution involves building short walls, curved walls along the edges of the piers and wharves. But a 2100 solution we are talking about building a new seawall, which is completely different. We have to think about whether we're going to build it in front of the piers or are we going to move it further out.

Commissioner Woo Ho - While we're saying we're looking at the specific leases that go up to 2050 or beyond, I'm wondering as a portfolio whether we should consider in our leasing policy right now some sort of extra charge or reserve to build up the funding that is going to be required. Now, we're not going to be able to probably fund it entirely ourselves, but if we don't start building something... and that could be very specifically called out in any leases as a sinking fund to help us address whether it's for 2050 or 2100. We have to financially start planning what we can do.

Uday Prasad - I agree, in some places we may have to remove some of these piers as part of the plan. Even removing these piers is not cheap. It costs \$50 per square foot to remove these piers.

Monique Moyer -- Where we are is that the Port Commission adopted the capital reserve policy, which says to set aside, exactly, a sinking fund. Where we aren't is we haven't worked sea-level rise and what that looks like into the capital plan, which is what the Capital Reserve Fund is to fund. While we're achieving goals of getting to monies that can be expended for these types of infrastructure projects, we haven't a clear plan on how we're going to spend them yet. The solutions that Uday just described about curvatures at the end of the piers need to float into our capital plan; and then it will be part of our process.

Commissioner Woo Ho - What you're doing is absolutely right, and it's from the Port perspective. What I'm saying goes a little bit of a step further in letting our tenants know that they have to plan accordingly.

Monique Moyer - Yes, but they have not done that yet.

Commissioner Woo Ho - They have to help. A little bit at a time adds up after 15, 20 or 30 years. Internally we're structuring it.

Monique Moyer – Right, so we'll need to explore how that affects what we charge for rent and get back to the Commission on that, as we did when we set up the southern waterfront beautification surcharge. We ended up just doing that out of our regular rental rate and not calling it out as a separate line item in the lease. Maybe in this case we might do something different so let us explore it and we'll come back.

Commissioner Murphy - On the existing concrete piers, were they not designed properly to withstand another 50 inches?

Uday Prasad - What we're talking about is preventing the first floor of the piers from getting flooded. One solution may be to raise these piers. People say, "Why don't you raise these piers?" We're talking about raising the piles and cutting, then raising the piers. This is going to be huge. Anything is possible, but it's going to be a huge expense.

Also, one thing that I would like to point out is the concrete quality. These piers are almost 100 years old. You're constantly repairing these piers with the cracks and the spalls and coated rebars. This will continue. Eventually, when you have a situation where you have a limited construction window i.e. your tide level is going up. With the current technology, I can't think of any way to repair these piers.

Commissioner Murphy - Well, couldn't you pile sections and then reface them with granite or shotcrete?

Uday Prasad - We can. It's possible.

Commissioner Murphy - And at the same time raise them and possibly raise a pier at a time. The piers would have to be raised as well.

Uday Prasad - Raising a pier is a huge challenge because you'd have to cut the piers at the top of these piles and then jack it up. It's possible but

Commissioner Murphy - Maybe that could be done off barges. A lot of the old cities, especially in Europe, or the most recent one I've seen was Havana in Cuba. You can actually walk along the top of the seawall. It's about 6 feet wide, but it's also about 4 feet off the sidewalk so at some point they raised it. They don't have the problem with the piers sticking off the edge of the seawall. We have a very unusual situation here in San Francisco.

Uday Prasad - You can raise the pier, but you still have to deal with the seawall issue.

Monique Moyer - Yes, because as you know from the maps Uday was showing, our neighbors are all on liquefacted soil. One of the things that we've learned in studying this is that as sea level comes up, it means there's higher groundwater

table, too, that will affect our neighbors. So it's not just in the Port's interest; it's going to be in the entire city's interest to address this.

Commissioner Murphy - I agree. It's a huge problem going forward.

Monique Moyer – Yes and they're also studying it as part of the development project for Treasure Island. So there's a lot of conversation but there's no plan yet.

Commissioner Woo Ho - It's great to have this presentation and, obviously, to keep this in front of us because it is a strategic issue that has to be dealt with. Right now it's huge. How do you get your head around it? There are so many different parts and the timeline and the funding. I would like to suggest and I'll listen to what staff has to say that we should have a periodic update on where you are in making progress because it's going to be a step at a time and it's going to take a long time. We're not going to be here in 2050 but at least we can make sure our grandchildren don't have to worry about this. I think that we want to at least start getting this. I would like to suggest that you all come back and tell us, not just to give us an update, because I think each time you give us an update hopefully we will have answered a few more questions and know a little bit more about how to approach it and what are the solutions and what are the options that we can be considering. I'll leave it to Monique to figure out what would be the right interval to hear about this. We just want to keep it up and in front of us.

Uday Prasad - Okay, will do.

Commissioner Murphy - One last thing, I hope that when all these great minds get together they don't spend the next 20 years spending our money, coming up with all kinds of goofy ideas that they will save some of the money to actually do the job. That would be my suggestion.

Uday Prasad - I agree.

Commissioner Katz - I know several meetings back we had actually raised the issue of just ensuring that as we have items come forward that staff in general tries to factor in the impact of climate change on those items so that we are mindful. This is the broad overview, but on a more micro level we should be looking at each item that comes before us with an eye towards the impact of climate change and sea-level rise on those projects.

Uday Prasad - I agree.

Monique Moyer - One last thing I would also share, BCDC has published a draft strategic plan, and in their plan sea-level rise is a primary component. Of course, it's going to affect all of their jurisdiction, which will include the two airports that are on the water. We'll be coming back with more information as it develops, but

I don't think six months from now, for example, there will be much in the way of answers.

7. CONSENT

Commissioner Leslie Katz moved approval to approve the consent items separately so she can recuse herself on voting on Item 7B. Commissioner Adams seconded the motion. All of the Commissioners were in favor.

Commissioner Woo Ho – For Item 7B, Commissioner Katz is recusing herself because she is the Commissioner that would be traveling.

- A. Request approval for Port Deputy Director of Maritime to represent the Port of San Francisco as a Voting Delegate at the American Association of Port Authorities Annual Convention at Port Canaveral, Florida, on October 14-18, 2013. (Resolution No. 13-35)

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution No. 13-35 was adopted.

- B. Request approval for a San Francisco Port Commissioner to travel with Port Staff to Osaka, Japan, for the 15th Sister/Friendship Ports Conference. (Resolution No. 13-36)

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. Four of the Commissioners were in favor. Resolution No. 13-36 was adopted.

8. ENGINEERING

- A. Request authorization to execute an amendment to the Construction Manager/General Contractor contract with Turner Construction Company to decrease the total authorized contract amount from \$104,496,202 to an amended amount not to exceed \$100,107,601, which reflects: 1) a contract increase of \$1,741,662 to complete Phase 2 construction of the Pier 27 Cruise Terminal Project; and 2) a contract decrease of \$6,130,263, for reduced scope and cost savings in the America's Cup infrastructure projects; resulting in a net decrease of \$4,388,601 in the total authorized contract amount (Resolution No. 13-37)

Kim von Blohn, Port Project Director of the Cruise Terminal Project - I'll summarize the phase two scope of work for the project and then request additional funding necessary to accomplish that work. This project also linked in with the America's Cup infrastructure projects that are almost finished. What remains of that is Pier 64 cleanup and the installation of an osprey platform.

Phase two of the cruise terminal project begins in November 2013 at the completion of the cleanup of the tentative improvements installed for the America's Cup events. The project will run about nine months with substantial completion at the end of July 2014 and final completion about two months later. Our contractor, Turner Construction Company, has established an LBE goal of 22 percent and 46 percent for the Federal Small Business Enterprise on phase two of the project. These are LBE percentages of the total subcontractor costs.

The project is on budget by deferring certain project components. The request before you is for additional funding for certain shorepower components that we identify later in the project. This is a planned view of the project, what it will look like when it's completed. The remaining portions of the work for the cruise terminal in phase two include the U.S. Customs and Border Protection facilities; the 2.7-acre northwest wharf plaza, shown on the right-hand side in green; North Point at the left-hand side of the picture; ground transportation area between Piers 27 and 29; apron and substructure repairs; installation of maritime equipment such as the mobile gangway system, fenders and bollards; and provision of miscellaneous furniture and equipment.

This historic walk required by BCDC through Pier 29 and park bathrooms will be deferred pending a planning study to determine their location. In the meanwhile, temporary restroom facilities will be provided. Additionally, the build for the standalone facilities' Operation Building shown in the top left-hand side of the drawing came in at actually a \$1.8 million bid and, if included, would have exceeded our budget. Therefore, it will be deleted from this scope and instead be located within Pier 29 or temporary facilities within the Pier 27 area.

As I said earlier, the project requires an upgrade to the shorepower system to accommodate the size and design of cruise ships that are currently under construction. One of the features of these new ships is that they've gone absolutely as wide as they can; now they're extending lifeboats and hot tubs way over the side shell of the ship. I'll show you the problem this creates in the next couple of slides.

This is a rendering of the gangway system that we currently have under contract with a company in Sweden. In the foreground with the canopies is the section that connects to the cruise ship. On the right-hand side, after you walk through the tube, this connects into the terminal building. This structure has ramps that are sized in length to attain ADA slopes that are required for many conditions, as ship elevations and tidal elevations.

Commissioner Murphy - There's just one of these ramps?

Kim von Blohn - They connect together. They form this switch-back arrangement so you can get the correct elevation. This picture shows an elevation of the cruise terminal on the left; the gangway system in the middle, represented by the blue boxes that represent the tubes; and then on the right-hand side the ship. You can see in the magenta color the lifeboat overhanging the side of the ship.

The problem this creates is that the ship isn't far enough off the wharf face. The lifeboats will interface with the gangway system, creating damage to the gangway or the lifeboats or hot tubs or all of the above.

The solution to that is to move the fender system. I think you can see it on the picture here, at the transition of the ship and the wharf. These have to move further off the edge of the wharf in order to create the clearance required for the ship and the gangway system.

Commissioner Murphy - That cantilevered thing that's sticking out there, what is that made out of? It's an extension of the pier, it looks like to me.

Kim von Blohn - Yes, where it extends close to the ship. That will be a piled-in structure. There will be a series of piles vertically installed.

Commissioner Murphy - All the way around?

Kim von Blohn - They'll be at nine different locations, where each of the fenders are. Those are offset from the face of the wharf and connected by a brace back to the wharf itself. Those piles, in turn, support the floating fenders.

The knock-on effect of moving these fenders outboard is that the existing shorepower system cables are not long enough. This is a ceremony in 2010 showing our first hook-up to one of the Princess ships. The blue structure in the center is the davit system that supports the power cables, which are the black cables hanging down and connecting through a door on the ship on the left-hand side. These cables have to be extended in length, and the davit system itself, at the top, where there's a horizontal beam, has to be extended to provide the reach over to the ship. We estimate the cost for this will be about \$1.3 million. We're in the engineering phase right now with Cochran Company, they originally installed this system. We're working with them to see exactly what we have to do to finish this.

As I mentioned previously, there's an America's Cup work tied into the Turner contract for certain facilities required for the 34th America's Cup event. This scope of work to Turner was reduced by assigning some of the work to Port Maintenance and by reducing the deck and pile work scope at Piers 30-32 by actually proving the strength of the deck by load testing. This proved out optimistically some of the engineers' more pessimistic calculations and saved quite a lot of pile and deck repair work. This resulted in a final contract price of about \$8.6 million, which was \$6.1 million less than originally approved.

In conclusion, the America's Cup projects are almost finished. Pier 64 is the remaining work. This will be undertaken by Port Maintenance shortly. Phase two of the project is on budget and scheduled to meet substantial completion in August 2014. Finally, Port staff recommends this contract amendment.

ACTION: Commissioner Brandon moved approval; Commissioner Katz seconded the motion. All of the Commissioners were in favor. Resolution No. 13-37 was adopted.

9. PLANNING AND DEVELOPMENT

A. Informational presentation on the status of the Port's Blue Greenway projects.

David Beaupre, Planning and Development - At the Commission's request, I'm giving an update on the Blue Greenway. The Blue Greenway is a city project to complete the Bay Trail and Bay Area Water Trail from China Basin on the north to Candlestick Park on the south. I thought I'd start out looking at just how the Blue Greenway fits within the context of the Port's waterfront-wide open space system, including the various bond projects that have been delivered, the existing projects, and the future bonds.

Here's a map illustrating the Blue Greenway, which should look familiar, China Basin on the right, Candlestick Park on the left. While this map is comprehensive in illustrating the entire Blue Greenway, I recognize that not everyone is able to envision what the Blue Greenway actually is. So it gave me a moment to pause and think about an interesting way to describe it. The project that I thought is very similar to the Blue Greenway is the Emerald Necklace in Boston, which is a series of parks that are all connected by waterways, streets, roads and pathways. The description of an emerald necklace is that each park is a stone on the necklace, and the chain holding together those stones are, again, the roadways, waterways and walkways.

With that, I thought I would just show how that is illustrated on the Port's and the City's Blue Greenway. Here is the waterfront between Mission Creek and Candlestick Point. Here are all of the parks along the waterfront in the Blue Greenway so these are the jewels in the necklace. The roadways, the walkways and the sidewalks that connect it are the chain. That's generally what the Blue Greenway is. From the water side we have the water landings and the Water Trail that connects the water landings. All of these combined equate to what we call the "Blue Greenway". So the Blue Greenway, in essence, is a series of parks that all have their own unique identity and experience but are connected along a 13-mile system of open space and linkages.

With that, I'd just like to give a brief update on the various Blue Greenway projects, starting in the south. In August of last year we opened the new 50,000 square-foot extension of Heron's Head Park, a new entryway which has been enjoyed and received a lot of accolades from the community, from dog-walkers, picnickers and residents that are enjoying it every day.

At the same time that we opened up the Heron's Head Park project, we also did a ribbon-cutting for the Cargo Way bicycle lanes. These were the city's first cycle track, bi-directional, separated, protected bicycle lanes in San Francisco. They

have their own laser signaling system that detects bicyclists and was recently highlighted in an *Examiner* article about one of the better open space and bikeway improvements in southeast San Francisco. Again, it's received a lot of accolades from not only bicyclists but, if you go out there on any given day, you'll see a lot of walkers walking up and down that system, as well.

The next project that should be coming in front of us shortly is the public art project on the Pier 92 grain silos. This is the final concept by the artist group that the Commission approved a few months ago. It's called *Bayview Rise*. This is the mural that would be painted and visible during the day. When the red, green and blue lights are illustrated on it, this is what will be animated in the evening time, depending on what lights are projected onto the silo.

A few weeks ago we did a mock-up on the silos, and this is actually two lights projecting on pieces of the mosaic to make certain that the concept worked. The current plan is to have eight lights so that there's a better spread of the lighting across the silos. You can see that the silos are well lit. Here's a view on both the north and south face, as well. During the evening tests I actually drove around the neighborhood and went up to various spots, including Hunters View, where I approached a cul-de-sac full of people looking down on the silos, wondering what was going on and really appreciating the show.

Moving north, we then have the Bayview Gateway. This is at the corner of 3rd Street, Cargo Way and Illinois Street on the shoreline of Islais Creek. It's a new open space project directly adjacent to the firehouse. We've been working with DPW on the detailed designs, and the plan is to come to the Port Commission next week to get authorization to put this opportunity out to bid for construction. The project includes new landscaping; site interpretation about the site history, cargo history and the community; new site furnishings; and public art.

Moving north we have the Copra Crane, which is on Islais Creek at the terminus of Indiana Street. I was before you about a month ago requesting approval to get a coastal conservancy grant, to accept a grant for \$680,000. Our designers are underway, our as-needed engineers are underway developing those plans, and we hope to put this out to bid sometime this fall or early in the spring. We're working with the Copra Crane Labor Landmark Association members and SFMTA to do a site-wide interpretation on Muni's adjacent bus facility.

Then we have Tulare Park, which is between 3rd Street and Illinois Street on the northern shoreline of Islais Creek. It's a connector park that allows you to circulate between Illinois Street and 3rd Street. Our Engineering Department has come up with a unique design, where you'll have an over-the-water walkway experience. All the vegetation that's out there will be pretty much removed and replaced. It will clean up the site and make it more appealing and safer for the users to walk through and enjoy.

Moving north, Crane Cove Park and Pier 70. This is an approximately nine-acre park that we've been working for about two years on a community planning

process. This is the latest iteration of the plan, where we are taking the former industrial site, which was a secure site and protected site, and opening it up for park use. It's generally located between 19th Street and Mariposa Street.

The program of uses that we've developed include a new open mixed-use green along Illinois Street, where we bring the site up to the adjacent roadway and create a lawn that can be used for multiple purposes; rehabilitating Slipway 4 and the historic Cranes 14 and 30; creating a hardscape and plaza area in a space that could be used as theater; rehabilitating Building 109 and 110 and creating a yard space that can be used for picnicking and gathering and possibly concessions.

Then we have what we call the "Maritime Fields," which is opening up Slipways 1, 2 and 3 back into the bay and bringing the bay back into the site. Lastly we have what we call the "urban beach" on the northern portion of the site, where we're taking basically dumped concrete, removing it, and creating a beach area that will accommodate human-powered boating and allow access down to the waterfront.

The next series of slides are some illustrations of what the park will look like. I will note that within the screen is a key showing where the view is of the park. This is an aerial view looking north, basically above the new 19th Street. This is what it would look like walking into the park from 19th Street at Slipway 4 and the new plaza area. You'll note that we are relocating Crane 14 out to align with 18th Street so it becomes a major landmark and visible from the community, leaving Crane 30 to align with 19th Street.

Here's just another shot as you start to walk into the park in the slipway. This is at the northeastern terminus of Slipway 4, looking back at the lawn and Illinois Street. This is approaching the urban beach at the edge of Slipway 4. Within Slipway 4 we're talking about using ship-building keel blocks for site furnishings. That can also be used for recreation and ramps down into the slipway to accommodate accessibility.

This is the park entrance through Building 109, where we're talking about having a park pavilion, a park shelter, parking, boat storage, and a space for site interpretation for ship-building artifacts. This is what it would look like at the end of Slipway 4, looking back towards the Maritime Fields and Building 109. And then lastly an aerial perspective of how we're talking about reintroducing Slipways 1, 2 and 3, and allowing the bay to come up into the site and have intertidal planting so it's a softer shoreline edge.

For Crane Cove Park the total projected budget for the project right now is about \$45 million in total. That's about \$5 million an acre, which is on scale with the cost associated with improvements in other parks city-wide. Delores Park, for example, is about \$7 million an acre just to rehabilitate it. The Mission Bay projects are running about \$3 million an acre within there, and we just spent about \$3 million on the Heron's Head project so that's about \$3 million an acre.

If you look at the shoreline conditions here, the environmental remediation that needs to occur and the historic resources that we're adaptively reusing and rehabilitating, that's what brings the cost up to about \$5 million an acre. If you eliminated just the historic preservation elements, it would bring the cost down to about \$3 million an acre. So recognizing that and recognizing that the total funding that we have in place today is about \$21.3 million, we've identified what we think is an appropriate first phase, which is the central part of the park on either side of Slipway 4, including the multipurpose lawn, rehabilitation of the slipway, the central feature of the site, and then Building 109 and the 110 areas.

Continuing north, we have the Bayfront Shoreline Project, which opened in January of 2012, which has been immediately successful. Before we could even take the fences down or pave the pathway, we had people out there. On any given day you see multiple joggers, walkers and fishermen out enjoying the waterfront. In addition to the shoreline work, we put in a temporary pathway and some site furnishings, recognizing that the Bayfront Park being delivered by the successor agency to Redevelopment may be several years off.

Last month I came to the Commission to get approval to put out to bid the Blue Greenway signage project, which is moving forward. Lastly, for Blue Greenway art, one of the first projects after the grain silos project working with the Art Commission and using the Art Enrichment funds, the Art Commission last week put out a call for qualifications for artists for the Bayview Gateway Project. We're looking for a significant piece of art with an emphasis on the western side of 3rd Street, so as you're entering Bayview it's the dominant feature, giving the artists the opportunity to extend the art over onto the Bayview Gateway site. That request for qualifications went out through the Art Commission last week.

There are other Blue Greenway projects underway that were funded from the 2012 bond, including improvements along Islais Creek; Warm Water Cove; additional funding for Pier 70 Park and Agua Vista Park. At this point in time we're scheduled to deliver those in 2017 but have begun the initial planning.

Paul Nixon - I've been a member of the CWAG for about 10 years. I also served on the Blue Greenway Steering Committee during its initial organizing period, when Isabel Wade was there. I'm on the board of directors of Bay Access and a member of the Advisory Committee of the Bay Water Trail.

In 1999 the Port asked me to serve on the CWAG Committee because it felt that human-powered boating would be an important part of the future of the southern waterfront. Later, when the Blue Greenway concept came along, the Blue often was meant to refer to the Water Trail for non-motorized small boats. The Green referred to the parks and the Bay Trail connecting them. The concept behind the Blue Greenway is to channel the economic change from industrial to mixed-use areas in order to ensure the creation and preservation of recreational space, both in the water and on land.

The process was not new to San Francisco. It had happened along the northern waterfront when Aquatic Park was created. Our boating and swimming clubs had been originally created in the middle of industrial spaces. In the late 19th century, railroad tracks on trestles crossed over the piers of the clubs at Black Point Cove. Later the train tracks were moved to the shoreline or the shoreline was moved to the tracks. Anyway, the tracks are still there, a memory of the past. Black Point Cove was the original name of the new Aquatic Park, which the clubs had inspired and helped to build. I happen to be a member of the Dolphin Club.

When CWAG was formed, a similar situation existed along the southern waterfront. The old train yards were now changing into Mission Bay. The residents of the Mission Creek Harbor asked the Redevelopment Agency and Bay Access to help with a non-motorized boathouse and launch in Mission Creek. It took eight years, but we finally got them built; and the boathouse is now an architectural icon.

During this time also the idea for the Brannan Street Wharf came up, and plans began for Pier 70. The Friends of Islais Creek invited the Outrigger Canoe Club to move to Islais Creek. This boating club began in Slip No. 4 of Pier 70 when the slip was a part of the dry dock. The process of mixing recreation and boating industrial uses had continued at Pier 70 because it was the way San Francisco has always operated.

Finally, however, the Outrigger Canoe moved to a more Hawaiian-like environment with surfs and waves when the Sports Basement let them into their parking lot at Crissy Field. Kayaks Unlimited was invited to take over their space. Of course, there were fishing boat rentals and kayak rentals in the central basin near the ramp. The whale boats continued in the area with frequent races and, after the race celebrations, at the celebrations of the victories at the Bayview Boat Club. The Ramp Restaurant is a destination that attracts many traditional Whitehall rowboats from Aquatic Park and kayaks from all over the bay.

Bay Access has also been active with the Blue Greenway in India Basin and Candlestick Point Park. India Basin Shoreline Park has cleared a tiny beach for human-powered boats, and there are many plans to increase boating in the area. A year-long planning process for the future of Candlestick included much-improved access for both swimmers, boaters and wind-surfers, including -- this is, of course, about 20 years in the future -- boat camping at Candlestick Park.

I want to say that the dedicated Port staff and CWAG have spent many years planning not only for Pier 70 but for the entire Blue Greenway. We know that as more people become aware of the changes that are taking place and more aware of the southern waterfront, there will be new ideas and concepts which will become a part of the discussion. However, let's not make the mistake of discarding plans that have been examined closely over the years. Every idea has a ton of details, and we need a lot of help with the details.

Corinne Woods - I've worked on the Blue Greenway since, I went back and looked at some of the stacks of papers, 2005, when Isabel Wade who was running the Neighborhood Parks Council at the time thought that there should be, along the southern waterfront, the equivalent of Herb Cain Way on the northern waterfront. The Port really embraced this idea. Even after Neighborhood Parks Council went away and after Gavin Newsom had the Blue Greenway task force that came up with a vision plan, the only entity that moved forward and embraced this idea was the Port of San Francisco.

The Port has done an amazing job in the last six years to not only plan and strategize the jewels in this necklace but to make them happen. The first time the Port's been allowed on a general obligation bond was for these Blue Greenway parks. I can't thank David Beaupre and Monique enough and all the staff for the amount of work and energy that they've put into it.

I'm a member of the CWAG, so I've been working on Pier 70 for about 10 years. I chair the Mission Bay Citizens Advisory Committee, so I've been working on the Mission Bay parks all this time. It is the one concept that really brings the entire southern waterfront together and creates a public space. Thank you for the dedication that the Port has given this project, and let's move forward with Crane Cove Park.

Commissioner Katz - I also want to echo Corinne's thanks to David and Monique and our other staff. You probably are all getting tired of me hearing about how much I love this project. I also want to thank David for taking time out to give me a briefing the other day. As you look at it in even more detail than was presented today, it really is exciting.

You referenced the project in Boston, but also in New York, the high line where these kinds of projects have become destinations in and of themselves. I anticipate that one day we'll also have something along those lines for the Blue Greenway, where people will come down and enjoy the waterfront and visit our historic city, can see just the tremendous views all along from the different points and see that our city and our port have focused on providing quality of life for the people that live here, as well. We all know how important it is to have greenery and open spaces and different uses for all of that. Again, I want to thank you for this. It's an exciting project. I reiterate my offer to help in any way I can to make it move forward.

Commissioner Brandon - I, too, want to thank David, Monique, and everyone involved in this project because it's one of the greater projects that we're doing along the waterfront. It's just wonderful seeing all these new open space sites come into existence from nothing -- just a concept. So it's really wonderful. I'm looking forward to the Pier 92 grain silos. Did we ever decide if we are just doing one silo or all silos?

David Beaupre - The plan in some of those images that I showed are to light up the face of the tallest silo. They're going to hopefully start painting sometime in

mid or late October. We're actually going to do a time-lapse movie so that we can watch the progress of the painting, as well. Then we're going to light the northern face of the northern silos and the southern face of the southern silos so it will be on three of the four sides and it is visible and prevalent from many view sheds.

Commissioner Brandon - That's going to be wonderful. I'm really excited to see what the concept will be for the Bayview Gateway and what's going to happen there. I know a few years ago when we were looking at it, we were thinking about some type of opportunity for retail. Did that just go away or is that still a thought process?

David Beaupre - When we presented that to our Southern Waterfront Advisory Committee, there were some concerns about over activating the Bayview Gateway and the heart of our industrial cargo operations, but I don't know if the opportunity has gone away completely. I think we're focused on "Let's deliver the park, let's deliver the art, let's get the silos up and running." There might be an opportunity for some sort of commercial entity, maybe even on the west side of 3rd Street over near Islais Landing that may not get in the way of the cargo operations. Our focus has been trying to deliver those projects, bring that energy, and then see where those interests lie.

Commissioner Brandon - Thank you. I look forward to seeing it in the next couple of weeks.

David Beaupre - Me, as well.

Commissioner Adams - I really enjoyed the presentation and I would like to thank David, Monique, and the staff. Also, I want to say a special thank you to Corinne Woods and Paul Nixon because to me nothing is better than having the community involved and engaged. I've been on this Commission a year and Corinne, you're constantly here. I've challenged other people to show up, and a couple of them are here today. You constantly give, and I really appreciate that. Port staff do an excellent job but the heartbeat of everything we do is the community. I really appreciate your activism. We need you being a watchdog. We need you out there. We need you hitting the mike. I want to thank you both for participating and even helping us.

Commissioner Woo Ho - My fellow Commissioners have expressed the sentiments well for everybody on here, so I won't reiterate them. We certainly agree and like the fact that this is one of those updates that we always enjoy about the open space. The open space in San Francisco and our waterfront is one of the treasures that is not really understood as much as it should be and appreciated for what we do here. What we have in the Blue Greenway is just marvelous. Hopefully over time more and more people will be aware of it and treasure it. Now that I've heard from Corinne, and I appreciate the history that this didn't start until about 2005-06, that's amazing in terms of what we've accomplished. So kudos to everybody.

Commissioner Murphy - Thank you for your presentation. I don't have much to add here. I appreciate the speakers that came in, their persistence on getting this little project moving forward and staying with it. That's what it takes. That's how you get things done. It's going to be a great project. It sure is a pity we don't have the money to finish the whole thing, but at least we're getting half of it done. Thanks to Monique as well.

- B. Request authorization to issue Request for Proposals to lease The EcoCenter at Heron's Head Park, at Jennings St. and Cargo Way, including the building located at 32 Jennings Street and surrounding 6,058 square foot license area. (Resolution No. 13-38)

Carol Bach, the Environmental Affairs Manager in the Port's Planning and Development Division - I'm here this afternoon asking for your authorization to issue a Request for Proposals to lease the EcoCenter at Heron's Head Park. To borrow a phrase from David's presentation, Heron's Head Park is one of the jewels on the Blue Greenway necklace of the southern waterfront. It's a 22-acre wildlife habitat and passive recreational open space park. The EcoCenter is a small standalone building located within Heron's Head Park. It's approximately 2,300 square feet and consists of a single large assembly room, an adjacent wastewater treatment system room, two disabled-accessible bathrooms and two small rooms that are used for office and equipment storage.

The EcoCenter was originally envisioned and constructed by a non-profit organization from the Bayview Hunters Point community called Literacy for Environmental Justice, or LEJ. LEJ raised all the funds to build the EcoCenter, developed the plans, constructed the EcoCenter, and has owned and operated the EcoCenter since it opened in 2010. LEJ leases the footprint of land that the EcoCenter sits on from the Port and has an affiliated license for the surrounding outdoor area.

In the past several years, LEJ has suffered some financial and organizational setbacks and now finds itself unable to continue operating, maintaining and programming the EcoCenter and has approached the Port seeking to terminate its lease. I intend to come back to you at your next meeting with proposed terms for a mutual termination agreement for the lease.

The EcoCenter, however, offers a great opportunity to serve the community as an educational facility and a demonstration of green building technologies. It provides a home base for the Port's environmental education programs, and it complements the instructions that those programs provide through the Port's partnership with the Department of Recreation and Park's Youth Stewardship Program by teaching about the outdoor environment and processes and how they relate to green building technology, resource conservation, and environmental protection.

With Commission approval, Port staff proposes to offer the opportunity to lease the EcoCenter through a competitive selection process. Under the terms of the proposed offering, a new tenant would be required to meet certain minimum program goals and also provide additional public benefit to be determined through the lease process. Some of the key terms of the proposed lease opportunity would be that the term would be a minimum of five years with two two-year options to be offered at the Port's discretion. Rent would be one dollar per year. One significant change from the previous lease is that the Port would be taking on most of the maintenance and repair of the building.

Having the Port assume the maintenance responsibility along with the ownership of the EcoCenter will broaden the range of potential respondents to this lease opportunity and make the opportunity more financially feasible. It's also consistent with our research about how similar types of eco centers have operated successfully elsewhere.

For the tenant's part, it will be required to keep the EcoCenter open to the public free of charge at least four days a week, including one weekend day. The tenant will create interpretive material about the EcoCenter that the public can access when the building is closed. The proposers will have to submit an operations and program plan that describes their proposed programs for the EcoCenter, and that plan will be the basis for creating measurable criteria that will become conditions of the lease. The tenant will be accountable to deliver the programs as they are established in a final operations and program plan, and failure to do so will be grounds for termination.

The proposers will also be required to submit financial information that demonstrates their capacity to deliver the proposed programs. That information will include that which is provided with the lease application as well as a funding plan that will describe the proposer's funding sources and schedule.

We have notified those on our Southern Waterfront Advisory Committee (SWAC) and interested parties, as well as more than 425 local organizations in the Bayview Hunters Point area about the upcoming changes to the EcoCenter through email and a posting on the Port's website. Pending authorization to issue the RFP, we will follow up with outreach about the lease opportunity itself through those channels as well as direct mail to our tenants and the standard lease opportunity advertising channels.

The proposals will be required to show that the proposer has a minimum of five years of experience operating a similar facility or similar programs as would be offered at the EcoCenter. Proposals will have to include an operations and program plan that shows how the tenant will meet the Port's public benefit objectives for the EcoCenter and provide financial information, again, that shows sufficient capacity to deliver those programs.

Proposals that meet the minimum criteria will be reviewed by an evaluation panel that will consist of Port staff from the Real Estate and Planning and

Development Divisions, a representative of the California State Coastal Conservancy, which was one of the primary funders of the EcoCenter, a representative from the PUC's Education and Environmental Justice programs; and possibly a staff member from a similar eco center located in the city of Palo Alto may be available to participate. Port staff will return to the Commission to present the evaluation results and seek the Commission's approval of the recommended proposal and final lease terms.

With respect to schedule, we intend to issue the Request for Proposals as soon as possible after Port Commission approval. Because there was a conflict with the reservation of the EcoCenter, I had to move the pre-submittal conference from October 8 to October 10, 2013. That will be in the RFP before it's issued, but it is a change to the staff report. We are offering tours of the EcoCenter during October, and proposals will be due on November 8, 2013.

James Bryant from the Western Region, Director of the A. Philip Randolph Institute - I look forward to the EcoCenter being part of the community. Obviously, the Port has responsibility to get the most responsible persons or organizations to provide the services there. I just want to mention, though, that there is some uniqueness about the location of the center. I know it's not part of your directions, but I hope that consideration for the community that will not have the financial wherewithal to bid on this RFP would just be considered in thoughts. Obviously, I would love to have my organization take a try at it. But, honestly, I don't know if we would be able to meet whatever the financial obligations are of the programming. I don't know if there are resources to help meet that standard. But I do want to make sure that we keep in mind the importance of that center, of the existence of LEJ, some of the reasons why organizations like LEJ may not have made it but the importance of the education of the neighborhood and making sure that information for this jewel is transferred throughout the community. I don't know if that's garbled, but I had to say something because I think this is a great opportunity for an organization. I just don't want it to be an organization that's not connected to the community.

Wendy Brummer - I'm currently on the board of LEJ. First of all, I want to say a big thank you to the Port. The EcoCenter was a project of passion, a passion for the community, passion for a sustainable design in demonstrating that, a passion to pull the community into an environmental education element that didn't exist previously.

LEJ was able to build this building but did not have anywhere near the understanding of the financial means that would be required to sustain this building. We don't have the expertise, we don't have the infrastructure. We're extremely grateful to Carol and the staff for supporting this project as we are in this transition period. We look forward to assisting in bringing on an organization that has the capacity to fulfill the original vision. That original vision involves intense community connection.

To that end, we have one request: that a community organization, a community representative be on the selection panel for the organization, that a community member have the ability to review the respondents. We're anxious to see this process move forward and look forward to how we identify which operations fall under the Port jurisdiction and which ones make sense to keep under the jurisdiction of a leaseholder, as well. That will be key, and there's a lot of work that's being done on that currently. Thank you very much, and we look forward to this moving forward.

Commissioner Brandon - That's a great recommendation to have a community person on the selection panel. I think she brought up some of my concerns i.e. what is the capacity to run this operation? LEJ is a great organization. They did a wonderful job. It's such a great concept, and it is a jewel. But how do we know what the financial capacity is? Just because we take over maintenance, does that mean that another organization is going to be able to take on everything else needed? I'm trying to get some idea of what will make this successful because it's so much needed in the community.

Carol Bach - To address both of those comments in reverse, it would be great to get a community member participating in the selection process. I'm not quite sure how one defines "community member," but I'll talk with our SWAC and with Wendy and see what we can do in that direction.

Regarding the financial capacity, and this really speaks to what Mr. Bryant was talking about: That's one of the reasons that we made what really is a very significant change in the way the lease is structured by having the maintenance taken on by the Port itself when the ownership transfers to the Port, to try to make responding to this opportunity more financially feasible to all kinds of organizations, not just organizations with very deep pockets.

As far as what that financial capacity would be, it is going to depend on the programs that particular proposer is suggesting. What they're going to need to show us is that they have enough financial capacity to meet those minimum criteria that I talked about -- the four days a week, they submit an operations and program plan, and show us you can pay for it, basically. We're trying to make this opportunity as accessible as possible.

Commissioner Brandon - If I'm not mistaken, when we originally did this project and LEJ took over, we did give them some type of help financially?

Carol Bach - LEJ built the building entirely with funds they raised themselves, but we did award a grant four years ago and contracts prior to that to provide environmental education services. LEJ has been a recipient of those funds.

Commissioner Brandon - I'm just wondering, with the help that we gave them, the other funding that they went and got, with the staffing issues, what is going to make the next proposal work?

Carol Bach - LEJ was trying to deal with the financial burden of operating the building, maintaining the building, and providing the grant-funded programs. We're taking two of those pieces out of that financial demand. Additionally, it's easier for organizations to get grants for education and community participation and green building technology, showrooms, fun and enticing things like that. It's easier to get outside funding for that than to go to a funder and just say, "Well, I need to pay the water bill." So we're also hoping that by structuring that way it will make it a more financially feasible opportunity.

Commissioner Brandon - Would we help whatever organization gets the next crack at this? Would we help and try and find funding, or would we have funding available to maybe help them? I just think it is a jewel, and I think it is something that needs to exist. I want to make sure that whoever we bring in to operate it is able to maintain it and able to move forward with it.

Carol Bach - Right. I think all of us on the Port staff that are working on this project share that goal. I know that Port staff and LEJ are very committed to a full and complete technology transfer, conveying as much information and experience as LEJ has gotten about how to operate the building. Speaking for myself, I would be happy to support a new tenant's efforts to find grant funds and things like that and grow their programs as time goes on.

Commissioner Brandon - Thank you.

Commissioner Katz - I had one question, again, wanting to make this feasible for any other potential operator. Maybe it's the way it's worded, but it looks like there would be a prohibition. Say another non-profit wanted to rent and utilize the space but charge people or get a contribution. I guess you could call it a "contribution" versus an "entry fee". Is that what you meant by an "entry fee"? Let's say they have a class and they charge \$20 for a class.

Carol Bach - Right.

Commissioner Katz - Is that prohibited under this language?

Carol Bach - Not necessarily. There is language in the RFP and we're working on drafting a lease that will go with that that allows, with prior written consent of the Port, for the tenant to charge fees sufficient to recover the costs of delivering certain programs. Again, in order to meet the mission of the EcoCenter as a public benefit, we hope that most of the programs will be able to be offered to the public free or at very low cost. That was why it was built. We want people to come to it and learn from it. But we recognize that there are some programs where it would be appropriate to recover costs to delivering the programs, so that's definitely contemplated.

Monique Moyer - It's easier to talk about what we don't want to see. We're giving this property essentially for free for all the purposes that have been articulated.

We don't want to see somebody profiting from that. We want to see them achieving the mission.

Commissioner Adams - Carol, I agree with James and the other lady that spoke from LEJ and Commissioner Brandon about having a community person on that committee. I also appreciate the fact and you said something I really like that you don't so much want to give it to the highest bidder; you want to give it to someone that has a passion and a commitment to the community because they really want to make it successful. That's what I really want to see, and Director Moyer just said herself that we're almost giving it away for free.

This could be a marquee for us. I'd like to know what we could do, just in your words, to really make it work. We can really make this a good thing for the community. Also, it's a thing that is open, is profitable. More than anything, the community comes out and they see it because I think it's a good thing.

Commissioner Woo Ho - I certainly agree with all the sentiments that have been expressed, and one of the things you said is key. I wanted to at least make sure we're clear. We can certainly help any organization that comes in to look for grant funding. Unfortunately, the Port in this instance is giving what it can in terms of all the financial support through the maintenance and the operation of the facility. I don't think it would be realistic for any community organization to expect more than that because I think we will have done our part; but it will be very important that we assist.

With regards to the comments that have been made by the public: We're not looking for somebody that has huge, deep pockets; but we do have to have an organization that can sustain. So from that standpoint, it can't be living hand to mouth every month. That would be endangering the center and all the purpose of what we're trying to do. So I think it's important that we maintain that there's a balance here. We're trying to do our part, and we have to have an organization that can do their part. Whatever you can do to point them to areas that they can get grant funding for these programs that would be terrific.

I'm not sure whether we have another pocket to open because we've got so many other things that we're trying to also do across the waterfront, as you know, including the Blue Greenway and other projects. We have to be very balanced as we approach it. I'm trying to be realistic here, making sure that we don't raise hopes unnecessarily, as well.

Carol Bach - Understood

Commissioner Katz - Likewise, all of us want to see this succeed. The aim and the goal of LEJ really should be realized, and this is our opportunity to do it right and to get a partner in here who can do that education component. I likewise agree that having a community member on the selection process is significant.

Maybe there could be some other ways to explore when an organization comes in, giving them some ramp-up time or something to work on the grant funding and other components so that they would have the operating funds. Not necessarily requiring it in hand day of but perhaps taking into account that there may be some organizations that have the capability to go out and get the grant funding but may not have it at the time of signing of the project. We should figure out some way we could take that into account.

Carol Bach - Exactly. One of the things we're working on is presenting exactly what you just described in the request for proposals to include the funding plan. We want to make sure that the organization has enough wherewithal to provide that minimum level of staffing and engagement with the public from day one. We realize that in many cases to implement all of the program elements that a proposer might have in mind, they may have a schedule of seeking and receiving funds that they can see fairly far out.

Commissioner Katz - I assume we also have an opportunity for a joint venture, so to speak, or more than one organization?

Carol Bach - Yes, absolutely. We're really encouraging teams because, for all its wonder, it is an unusual opportunity. It very well may be that a team of organizations with complementing kinds of capabilities are a better ultimate tenant than a single entity trying to do all of those things.

Commissioner Katz - Perhaps under the auspices of the USGBC or something like that. Again, it's very exciting. Just apropos of our last item, doesn't this fall right on the Blue Greenway, if I'm not mistaken?

Carol Bach - Yes, absolutely.

ACTION: Commissioner Brandon moved approval; Commissioner Adams seconded the motion. All of the Commissioners were in favor. Resolution No. 13-38 was adopted.

Commissioner Murphy left the meeting at 4:50 p.m.

10. NEW BUSINESS

Commissioner Woo Ho - I do have an item of new business, and I'd just like to preview it a little bit. We're very excited about the America's Cup coming to a conclusion. Hopefully tomorrow we will know. That does mean that there will be a number of spaces that will be opened up on the waterfront. As we know, the America's Cup has taken up Piers 19, 23, 29 and 29½; they're on 33, too. The ones that we know are coming back onto the Port's portfolio and do need to be looked at for the future are 19, 23, 29, 29½ and 31.

We have started to get a lot of interest from various parties here and there for interim uses, long-term uses. So my proposal for new business is to request the staff to

come up with some plan and guidelines. I look at it as we're painting a landscape here. We do have a couple of forests, but we don't have the full landscape painted out. Before we start reacting to somebody saying "I want to plant orange trees here and I want to plant lemon trees there and I want rose bushes over there," I think we need to have a better framework that we can rationalize for the whole area and that particular area, the waterfront.

It would be helpful if we could sit down and have the staff come up with some guidelines and vision before we start reacting to individual requests that come in that we are hearing a little bit already. Number one, the plan has to align with the city's and the Mayor's strategic vision for what he sees for the city and his objectives. I'm not going to go through all of that, but some of them we know -- about jobs and innovation in technology, and other aspects being gateway to the Pacific in Asia.

The plan should align with the Mayor's view, the city's strategic view and, more or less, the long-term objectives of what we're trying to do here in the Port so that we do have a rational framework to be able to respond and to give some general guidelines. Obviously, as we all know, it takes a long time to develop anything here, so there has to be maybe a plan to accommodate some interim uses that we might be able to entertain but that may not be the long-term uses.

I don't want the staff to do anything terribly precise because we do want open feedback. As we know, our process is public. We'll be getting a lot of input from the community along the way. We want to at least approach the community with some general ideas of how we think all these pieces fit together in the jigsaw puzzle. Clearly, there are some things that we know we'll have to be governing in this.

This is something that we would have to be consistent with the public trust. We want uses that would either enhance, complement, or fill gaps in the waterfront or the neighborhood. Those things can be looked at now that we have a clearer feeling of what's happening in the northern waterfront and what it would do overall, not just to that specific neighborhood but to the contribution to the overall waterfront and the city.

We want to make sure, something that I always harp on, that it has to have some financial objectives. We need to be financially viable. There are so many good things that we want to fund. We just heard a lot about them today. We can't fund all these other projects unless we have some revenue sources that are producing revenue for the city and to help us to address strategic challenges like the seawall, like all the capital improvements that we have.

Clearly, as we have the opportunity, I think we want to make sure that whatever gets built along all of these piers specifically that we are also improving the quality and the consistency of the look of these projects. As Monique knows, we have a fantastic view. It's a AAA view. We want our facilities to match that AAA view; but obviously it has to be technically consistent with historic preservation, with all the codes that we have to come up with and all the investment that goes into the substructures. There's

a lot to deal with so we want something that's aesthetic. The things that have been developed look really good.

This is something I've given a long laundry list of things that Monique and I have talked about. I just want it to go on public record because I think as we all individually or as the staff or members of the public are interested in what's going to happen to all the space that's coming up, it's important that we are prepared, that we have a framework, we have some guidelines, we all agree upon what some of these things have to be. Then we have a better way of taking the input and proposals and how we go about the process, which is going to take some time.

I wanted to add that. It's a tall order to come back from the staff. We don't want to wait too long; we do have some of these properties coming off lease. Some of them maybe as soon as the end of November, some later. So perhaps along the way you can give us a plan of how you want to attack this.

Monique Moyer - Thank you, Commissioner. We'll be happy to. Most of the properties will come back to us in March, actually, with the exception of the cruise terminal. That does give us a little bit of time but not a lot, unless Oracle wins tomorrow, in which case they have a First Right of Refusal so more to follow but thank you. We will definitely follow your guidance on this and come back quickly with a vision.

Commissioner Woo Ho - I didn't have a chance to discuss this fully with all the other Commissioners. Do the Commissioners have any comments?

Commissioner Katz - Yes, just direct to staff. We should be mindful of all the property coming on and start working towards figuring out what will be the optimal opportunities and uses for us going forward. I also want to ensure that we're flexible both short term and long term to make sure that we can keep everything. If there are some opportunities that might be available on a short-term basis, to do that while we do the long-term planning for these facilities.

11. ADJOURNMENT

ACTION: Commissioner Brandon moved approval to adjourn the meeting; Commissioners Katz seconded the motion. All of the Commissioners were in favor.

Port Commission President Woo Ho adjourned the meeting at 5:15 p.m.

